IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
	)	
MobileMedia Communications, Inc., et al.,	)	Case No. 97-174 (PJW)
	)	(Jointly Administered)
Debtors	)	

DEBTORS' ~~SECOND~~ THIRD AMENDED JOINT PLAN OF REORGANIZATION

Dated: ~~September 3~~ December 1, 1998

J. Ronald Trost
James D. Johnson
Shelley C. Chapman
Lee M. Stein
SIDLEY & AUSTIN
875 Third Avenue
New York, New York 10022
(212) 906-2000

James L. Patton, Jr. (No. 2202)
Joel A. Waite (No. 2925)
YOUNG CONAWAY STARGATT & TAYLOR, LLP
P.O. Box 391
Wilmington, Delaware 19899
(302) 571-6600

Co-Counsel to Debtors and
Debtors-in-Possession

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MobileMedia Corporation, a Delaware corporation ("MobileMedia"), MobileMedia Communications, Inc., a Delaware corporation ("Communications"), MobileMedia Communications, Inc. (California), a California corporation, MobileMedia DP Properties, Inc., a Delaware corporation, MobileMedia PCS, Inc., a Delaware corporation, Dial Page Southeast, Inc., a Delaware corporation, Radio Call Company of Va., Inc., a Virginia corporation, MobileMedia Paging, Inc., a Delaware corporation, Mobile Communications Corporation of America, a Mississippi corporation, MobileComm of the Southeast, Inc., a Delaware corporation, MobileComm of the Northeast, Inc., a Delaware corporation, MobileComm Nationwide Operations, Inc., a Delaware corporation, MobileComm of Tennessee, Inc., a Tennessee corporation, MobileComm of the Southeast Private Carrier Operations, Inc., a Georgia corporation, MobileComm of the Southwest, Inc., a Texas corporation, MobileComm of Florida, Inc., a Florida corporation, MobileComm of the Midsouth, Inc., a Missouri corporation, FWS Radio, Inc., a Texas corporation, and MobileComm of the West, Inc., a California corporation, each a debtor and debtor-in-possession herein (collectively, the "Debtors"), propose the following ~~First~~ **Third** Amended Joint Plan of Reorganization (the "Plan").

INTRODUCTION

This Plan encompasses a reorganization of the Debtors pursuant to which Communications will merge with and into Farm Team Corp., a Delaware corporation ("Merger Subsidiary") and a subsidiary of Arch Communications Group, Inc. ("Arch"), with Merger Subsidiary being the surviving company. The Debtors' creditors will receive cash or equity securities of Arch. There will be no recovery for the Debtors' equity security holders.

Reference is made to the Disclosure Statement accompanying this Plan, including the exhibits thereto, for a discussion of the Debtors' and Arch's history, business, results of operations and properties, and for a summary and analysis of this Plan. All creditors are encouraged to consult the Disclosure Statement and to read this Plan carefully before voting to accept or reject this Plan.

NO SOLICITATION MATERIALS, OTHER THAN THE DISCLOSURE STATEMENT AND RELATED MATERIALS TRANSMITTED THEREWITH AND APPROVED BY THE BANKRUPTCY COURT, HAVE BEEN AUTHORIZED BY THE BANKRUPTCY COURT FOR USE IN SOLICITING ACCEPTANCES OR REJECTIONS OF THIS PLAN.

ARTICLE I
DEFINITIONS; INTERPRETATION

1.1 Definitions.

In addition to such other terms as are defined in other Sections of this Plan, the following terms (which appear in this Plan as capitalized terms) shall have the meanings set forth below. A term used in this Plan and not defined in this Plan but that is defined in the Code has the meaning set forth in the Code.

"9⅜% Note Indenture" means the Indenture dated as of November 13, 1995, between Communications, as Issuer, and State Street Bank and Trust Company, as Trustee.

"9⅜% Notes" means the Senior Subordinated Notes due November 1, 2007, issued pursuant to the 9⅜% Note Indenture.

"10½% Note Indenture" means the Indenture dated as of December 1, 1993, between Communications, as Issuer, and First Trust USA (as successor to BankAmerica National Trust Company), as Trustee, as amended.

"10½% Notes" means the 10½% Senior Subordinated Deferred Coupon Notes due December 1, 2003, issued pursuant to the 10½% Note Indenture.

"1995 Credit Agreement" means the Credit Agreement dated as of December 4, 1995, as amended, among Communications, the Pre-Petition Lenders and the Pre-Petition Agent.

"Administrative Claim" means a Claim to the extent that it is of the kind described in section 503(b) of the Code and is entitled to priority under section 507(a)(1) of the Code.

"Allowed" means as to any Claim (whether an Administrative Claim, Priority Claim, Priority Tax Claim, Secured Claim or Unsecured Claim), the extent to which such Claim:

(a) (i) was timely filed or listed in the Schedules and not listed as disputed, contingent or unliquidated as to amount; and

(ii) the Debtors, the Reorganized Debtors or any other party in interest entitled to do so has not and does not file an objection to such Claim within the time period set forth for objecting in <u>Section 4.4</u>;

(b) is allowed by a Final Order of the Bankruptcy Court; or

(c) is allowed by this Plan.

"Arch Capital Shares" means, collectively, the Arch Common Shares and the Arch Class B Common Shares.

"Arch Class B Common Shares" means the shares of Class B Common Stock of Arch, par value $0.01 per share, to be authorized and issued as and when contemplated by the Merger Agreement.

"Arch Common Shares" means the shares of Common Stock of Arch, par value $0.01 per share, which are issued and outstanding plus additional shares which will be authorized and issued as and when contemplated by the Merger Agreement.

"Arch Participation Warrants" means~~, if a Rights Offering Adjustment shall have occurred,~~ warrants for the purchase of Arch Common Shares, which warrants will be issued pursuant to a Warrant Agreement governing their issuance and exercise that will be in the form set forth in Exhibit B-1 to the Merger Agreement.

"Arch Series C Convertible Preferred Shares" means the shares of Series C Convertible Preferred Stock of Arch, par value $0.01 per share.

"Arch Stockholder Rights" means non-transferable rights issued by Arch (except that, at Arch's election, the rights will transfer with the underlying shares in respect of which the rights are distributed) for the purchase of Arch Common Shares.

"Arch Stockholder Rights Offering" means the issuance of Arch Stockholder Rights to the holders of Arch Common Stock on a date to be determined by the Board of Directors of Arch, as more fully described in Schedule IV to the Merger Agreement.

"Arch Stockholder Rights Offering Commencement Date" has the meaning set forth in Schedule IV to the Merger Agreement.

~~"Arch Warrants" means, if a Rights Offering Adjustment shall not have occurred, warrants for the purchase of Arch Common Shares, which warrants will be issued pursuant to a Warrant Agreement governing their issuance and exercise that will be in the form set forth in Exhibit B to the Merger Agreement.~~

"Ballot" means the ballot for voting to accept or reject this Plan distributed by the Debtors to all holders of impaired Claims entitled to vote on this Plan.

"Bankruptcy Court" means the United States Bankruptcy Court for the District of Delaware in which the Cases were filed on January 30, 1997, or any other court with jurisdiction over the Cases.

"Bankruptcy Rules" means the Federal Rules of Bankruptcy Procedure, as amended from time to time to the extent applicable to the Cases.

"Benefit Plan Indemnification Obligations" means Indemnification Obligations with respect to any officer or employee serving as a fiduciary of any employee benefit plan or program of the Debtors, pursuant to charter, by law, contract or applicable state law for any actions taken or not taken in the discharge of such officer's or employee's duties as a fiduciary of such employee benefit plans or programs.

"Business Day" means any day other than a Saturday, Sunday or day on which commercial banks in the city of New York, New York or the States of New Jersey or Delaware are authorized or required to close.

"Capped Administrative Claims" means the Debtors' good faith estimate of the sum of (i) Priority Tax Claims, (ii) Administrative Claims for (x) bonuses payable to employees and professionals on or as a result of the Effective Date, (y) amounts necessary to cure any defaults in executory contracts or unexpired leases assumed pursuant to this Plan as required by section 365(b) of the Code and (z) any accrued and unpaid fees and expenses of professionals retained by the Debtors or the Committee pursuant to orders of the Bankruptcy Court, and (iii) Claims for (x) the Allowed Class 4 Claims described in Section 2.6(B)(ii), (iii) and (iv), (y) the Allowed Class 5 Claims described in Section 2.7(B), and (z) Allowed Class 6 Claims of the indenture trustees under the Subordinated Indentures described in Section 2.8(C)(3), in each case (other than those Claims in clause (iii)(z) hereof which shall be payable until such professionals no longer provide services to their respective constituencies on account of the Cases), accrued and unpaid or payable as of the Effective Date, which estimate shall be in reasonable detail (which in the case of professional fees, shall be in substantially the same form as would be submitted to the Bankruptcy Court) and shall be delivered to Arch (with a copy to the Committee) twenty days prior to the Effective Date. If no objection is made by Arch to the Debtors' estimate within ten days after receipt thereof, the estimate shall be deemed to be the amount of Capped Administrative Claims for purposes of Section 2.1(D). If Arch delivers to the Debtors (with a copy to the Committee) a written objection to the Debtors' estimate within ten days after receipt of such estimate, and the Debtors and Arch are unable to resolve such objection, it shall be submitted to the Bankruptcy Court to be determined on or as soon as practicable after the Effective Date.

"Cash Equivalent" means, with respect to any Right, an amount equal to the value of such Right as determined based on the actual proceeds received from the sale of Rights from the Rights Reserve pursuant to Section 4.1(B)(5) (or, if the Rights Reserve is then fully depleted, the fair value thereof as of the time such sale would have occurred based on the market price for such Right or, if no such price is available, as determined by the Debtors, Arch and the Committee in good faith or determined by the Bankruptcy Court if no agreement can be reached).

"Cases" means the reorganization proceedings of the Debtors under chapter 11 of the Code, jointly administered as Case No. 97-174 (PJW).

"Causes of Action" means all claims and causes of action now owned or hereafter acquired by the Debtors, whether arising under any contract or under the Code or other federal or state law, including, without limitation, any causes of action arising under sections 544, 545, 547, 548, 549, 550, 551, 553(b) or other sections of the Code.

"Claim" means "claim" as defined in section 101(5) of the Code, as supplemented by section 102(2) of the Code, and shall, in each case, mean a Claim against any Debtor (whether or not so designated).

"Class" means each class of Claims or Claims and Interests created under this Plan.

"Class 6 Adjusted Pro Rata Share" means, as to any Allowed Class 6 Claim, as of the date that is five Business Days prior to the Final Distribution Date, a fraction (i) the numerator of which is the amount of such Allowed Class 6 Claim and (ii) the denominator of which is the aggregate amount of all Allowed Class 6 Claims as of such date.

"Class 6 Pro Rata Share" means, as to any Allowed Claim in Class 6 on the Effective Date or such later date (prior to the Final Distribution Date) as such Claim becomes Allowed, a fraction (i) the numerator of which is the amount of such Allowed Claim and (ii) the denominator of which is the sum of (x) the Effective Date Disputed Claims, (y) the Effective Date Allowed Claims and (z) an estimate of the aggregate amount of Claims arising from the rejection of executory contracts and unexpired leases pursuant to Section 3.1 that are anticipated to become Allowed Claims, such estimate to be mutually agreed upon by the Debtors, the Committee and Arch in good faith or determined by the Bankruptcy Court if no such agreement can be reached.

"Code" means the United States Bankruptcy Code, 11 U.S.C. §§ 101 et seq., as amended from time to time to the extent applicable to the Cases.

"Committee" means the Official Committee of Unsecured Creditors appointed by the United States Trustee for the District of Delaware on February 10, 1997.

"Common Stock" means, collectively, (i) the Class A common stock of MobileMedia, par value $.001, issued and outstanding immediately prior to the Effective Date, (ii) the Class B common stock of MobileMedia, par value $.001, issued and outstanding immediately prior to the Effective Date and (iii) all options, warrants and other rights to purchase the Class A common stock or the Class B common stock of MobileMedia.

"Common Stock Claim" means any Claim with respect to the Common Stock of the kind described in section 510(b) of the Code, including, without limitation, any such Claim asserted in or by the parties to the Securities Actions and any Claim by an officer, director or underwriter for contribution, reimbursement or indemnification related thereto.

"Confirmation" means "confirmation" as used in section 1129 of the Code.

"Confirmation Date" means the date on which the Confirmation Order is entered by the Bankruptcy Court.

"Confirmation Hearing" means the hearing at which the Bankruptcy Court considers Confirmation of this Plan.

"Confirmation Order" means an order of the Bankruptcy Court confirming this Plan, which order shall be reasonably satisfactory to Arch and, as to the provisions relating to the treatment of Allowed Class 4 Claims, the Pre-Petition Agent.

"Creditor" means "creditor" as defined in section 101(10) of the Code and shall mean a creditor of any Debtor.

"Creditor Stock Pool" means ~~a number of~~ **14,344,969** newly-issued Arch Common Shares ~~determined in accordance with Schedule II to the Merger Agreement~~, as such number of shares constituting the Creditor Stock Pool may be adjusted pursuant to Section 2.1(D) **and Section 4.1(B)(6)**.

"Customer Refund Claim" means a Claim by a customer or subscriber of any of the Debtors for refund of amounts improperly paid or billed, or for the return of a deposit.

"Delaware Subsidiary Co." means Mobile Communications Corporation of America, a Delaware corporation and wholly owned subsidiary of Communications.

"Dial Page Indenture" means the Indenture dated as of February 1, 1993, between Dial Page, Inc., a Delaware corporation, as Issuer, and the Dial Page Indenture Trustee, as amended.

"Dial Page Indenture Trustee" means Norwest Bank Minnesota, N.A. (as successor to First Union Bank of South Carolina), as Trustee under the Dial Page Indenture.

"Dial Page Notes" means the 12¼% Senior Notes due 2000, issued pursuant to the Dial Page Indenture.

~~"Diluted Basis" means after giving effect to (i) the issuance and distribution pursuant to this Plan of the Arch Capital Shares (including the Arch Capital Shares issued upon exercise of the Rights issued pursuant to the Rights Offering but excluding Arch Capital Shares issued or issuable upon exercise of the Arch Warrants or the Arch Participation Warrants, as the case may be) and (ii) the assumed issuance of all Arch Common Shares issuable upon conversion of all convertible preferred stock (including the Arch Series C Convertible Preferred Shares) and convertible debt securities of Arch outstanding as of the date the "Buyer Market Price" is determined in accordance with Schedule II to the Merger Agreement.~~

"DIP Agent" means The Chase Manhattan Bank, in its capacity as agent for the DIP Lenders under the DIP Credit Agreement.

"DIP Approval Orders" means, collectively, (i) the Final Order (I) Authorizing (A) Secured Post-Petition Financing On A Super Priority Basis Pursuant To 11 U.S.C. § 364, (B) Use Of Cash Collateral Pursuant to 11 U.S.C. § 363 and (C) Grant of Adequate Protection Pursuant To 11 U.S.C. §§ 363 And 364, dated February 19, 1997, (ii) Order (I) Authorizing Extension of (A) Secured Post-Petition Financing On A Super Priority Basis Pursuant To 11 U.S.C. § 364, (B) Use Of Cash Collateral Pursuant To 11 U.S.C. § 363 And (C) Grant Of Adequate Protection Pursuant To 11 U.S.C. §§ 363 And 364 And (II) Scheduling A Final Hearing Pursuant To Bankruptcy Rule 4001(c), dated January 27, 1998 and (iii) Order (I) Authorizing Extension of (A) Secured Post-Petition Financing On A Super Priority Basis Pursuant To 11 U.S.C. § 364, (B)

Use Of Cash Collateral Pursuant To 11 U.S.C. § 363 And (C) Grant Of Adequate Protection Pursuant To 11 U.S.C. §§ 363 And 364 And (II) Scheduling A Final Hearing Pursuant To Bankruptcy Rule 4001(c), dated July 28, 1998.

"DIP Credit Agreement" means the Revolving Credit and Guarantee Agreement dated as of January 30, 1997, as amended, among Communications, as Borrower, MobileMedia, as Parent and Guarantor, each of the direct and indirect subsidiaries of Communications designated as Guarantor in Schedule 3.5 thereto, as Guarantors, the DIP Agent and the DIP Lenders.

"DIP Lenders" means those financial institutions from time to time party to the DIP Credit Agreement as lenders.

"Director Indemnification Obligations" means Indemnification Obligations with respect to any present or former director of any of the Debtors.

"Disclosure Statement" means the Disclosure Statement respecting this Plan approved by order of the Bankruptcy Court, and all supplements and exhibits thereto.

"Disputed Claim" means a Claim against any of the Debtors to the extent that such Claim is not Allowed.

"Effective Date" means the date on which this Plan becomes effective, which date shall be ten Business Days after all the conditions to the Effective Date set forth in Section 5.1 have first been satisfied or waived, or such earlier date (but not less than seven Business Days after such conditions have first been satisfied or waived) as the Debtors, Arch, the Pre-Petition Agent, the DIP Agent and the Committee shall agree.

"Effective Date Allowed Claims" means those Class 6 Claims that have been Allowed by order of the Bankruptcy Court prior to the Effective Date or that are Allowed pursuant to this Plan, as set forth in a schedule delivered by the Debtors to the Exchange Agent and Arch two Business Days prior to the Effective Date, which schedule, absent manifest error, shall be conclusive for the purposes of calculating Class 6 Pro Rata Share ~~and Class 6 Adjusted Pro Rata Share~~.

"Effective Date Disputed Claims" means, on and as of the Effective Date, any Class 6 Claim that is a Disputed Claim on and as of such date, in the full amount set forth in any timely filed proof of claim or listed by the Debtors in the Schedules, as set forth in a schedule delivered by the Debtors to the Exchange Agent and Arch two Business Days prior to the Effective Date, which schedule, absent manifest error, shall be conclusive for purposes of calculating Class 6 Pro Rata Share ~~and Class 6 Adjusted Pro Rata Share~~.

"Estate Representative" has the meaning given such term in Section 4.2(C)(5).

"Exchange Agent" means a bank trust company or other entity reasonably satisfactory to MobileMedia and the Committee, appointed by Arch to act as the exchange agent for making distributions to the holders of Allowed Class 6 Claims.

"Excluded Indemnification Obligations" means Indemnification Obligations with respect to (i) any present or former officer of the Debtors considered as of the Effective Date by the FCC to be an alleged wrongdoer for purposes of the FCC Proceeding, (ii) any present or former officer of the Debtors now or hereafter named as a defendant in the Securities Actions, as to claims arising out of the matters alleged in the Securities Actions, (iii) any present or former officer of the Debtors named as a defendant in any action initiated after the date hereof based upon similar factual allegations, or alleging similar causes of action, to the Securities Actions, as to claims arising out of the matters alleged therein, (iv) any officer or employee of the Debtors that is not an officer or employee as of the Effective Date, (v) present or former professionals or advisors of the Debtors, including, without limitation, accountants, auditors, financial consultants, underwriters or attorneys, other than Indemnification Obligations arising out of post-petition agreements approved by the Bankruptcy Court, and (vi) any Indemnification Obligation of the kind described in section 510(b) of the Code.

"FCC" means the Federal Communications Commission or any governmental authority succeeding to the rights and powers thereof.

"FCC Proceeding" means the hearing in WT Docket No. 97-115, In the Matter of MobileMedia Corporation, et al.

"Final Distribution Date" means the tenth Business Day after the day on which no Class 6 Claim remains a Disputed Claim.

"Final Order" means, as to any court, administrative agency or other tribunal, an order or judgment of such tribunal as entered on its docket as to which the time to appeal or petition for certiorari has expired and as to which no appeal or petition for certiorari is pending or, if an appeal or petition for certiorari has been timely filed or taken, the order or judgment of the tribunal has been affirmed (or such appeal or petition has been dismissed as moot) by the highest court (or other tribunal having appellate jurisdiction over the order or judgment) to which the order was appealed or the petition for certiorari has been denied, and the time to take any further appeal or to seek further certiorari has expired.

~~"Fully Diluted Basis" means after giving effect to (i) the issuance and distribution pursuant to this Plan of the Arch Capital Shares (including the Arch Capital Shares issued upon exercise of the Rights issued pursuant to the Rights Offering and upon exercise of the Stockholder Rights issued pursuant to the Arch Stockholder Rights Offering), (ii) the assumed issuance of all Arch Common Shares issuable upon conversion of all convertible preferred stock (including the Arch Series C Convertible Preferred Shares) and convertible debt securities of Arch outstanding as of the date the "Buyer Market Price" is determined in accordance with Schedule II to the Merger Agreement, and (iii) the assumed issuance of all Arch Common Shares issuable upon the exercise of the Arch Warrants or the Arch Participation Warrants, as the case may be.~~

"Indemnification Obligations" means the obligation of any of the Debtors to indemnify, reimburse or provide contribution to any present or former officer, director or employee, or any present or former professionals or advisors of the Debtors, including, without limitation, accountants, auditors, financial consultants, underwriters or attorneys, whether pursuant to charter, by law, contract or statute, regardless of whether the indemnification is owed in connection with a pre-Petition Date or post-Petition occurrence.

"Interest" means all rights (including unpaid dividends) arising from any equity security (as defined in section 101(16) of the Code) of the Debtors, including, without limitation, the Common Stock, but excluding Common Stock Claims.

"License Co. L.L.C." means the limited liability company formed as a wholly owned subsidiary of MCCA that will hold the Reorganized Debtors' Licenses after the Effective Date.

"Licenses" means the licenses and other authorizations of the Debtors to operate their paging networks.

"Lien" means, with respect to any interest in property, any mortgage, lien, pledge, charge, security interest, easement or encumbrance of any kind whatsoever affecting such interest in property.

"MCCA" means Mobile Communications Corporation of America, a Mississippi corporation.

"Merger" means the merger of Communications into Merger Subsidiary contemplated by the Merger Agreement and Section 4.2(B).

"Merger Agreement" means the Agreement and Plan of Merger by and among Arch, the Merger Subsidiary, MobileMedia and Communications dated as of August 18, 1998, as amended by the First Amendment thereto dated as of September 3, **1998 and the Second Amendment thereto dated as of December 1,** 1998, and as the same may be further amended from time to time.

~~"MCCA" means Mobile Communications Corporation of America, a Mississippi corporation.~~

"Miscellaneous Secured Claim" means a Secured Claim not classified in Class 4 under this Plan.

~~"Net Tower Sale Proceeds" shall be the Net Cash Proceeds (as defined in the DIP Credit Agreement) from the Debtors' sale of their towers and certain related assets, as set forth in the Tower Sale Agreement, which Net Cash Proceeds shall be at least $165 million.~~

"Non-Priority Unsecured Claim" means any Unsecured Claim not classified in Class 3, 5, 7, 8 or 9 under this Plan.

"Note Litigation Claim" means any Claim with respect to the Notes of the kind described in section 510(b) of the Code, including, without limitation, any such Claim asserted in or by the parties to the Securities Actions and any Claim by an officer, director or underwriter for contribution, reimbursement or indemnification related thereto.

"Notes" means, collectively, the Dial Page Notes, the 9⅞% Notes and the 10½% Notes.

"Person" means any person, including, without limitation, any individual, partnership, joint venture, corporation, company, trust, estate, unincorporated organization and any governmental unit.

"Personal Injury Claim" means a Claim against any of the Debtors that is unliquidated or contingent as of the Confirmation Date and is of the kind described in 28 U.S.C. § 157(b)(5).

"Petition Date" means January 30, 1997, the date on which the petitions initiating the Cases were filed with the Bankruptcy Court.

"Plan" means this ~~Second~~ **Third** Amended Joint Plan of Reorganization, as amended from time to time, and all addenda, exhibits, schedules and other attachments hereto, as the same may be amended from time to time, pursuant to this Plan or the Code, all of which are incorporated herein by reference.

"Pre-Petition Agent" means The Chase Manhattan Bank, in its capacity as the agent for the Pre-Petition Lenders under the 1995 Credit Agreement.

"Pre-Petition Lenders" means those financial institutions from time to time party to the 1995 Credit Agreement as lenders.

"Priority Claim" means a Claim to the extent that it is of the kind described in, and entitled to priority under, section 507(a)(3), (a)(4) or (a)(6) of the Code.

"Priority Tax Claim" means a Claim to the extent that it is of the kind described in, and entitled to priority under, section 507(a)(8) of the Code.

"Pro Rata Share" means proportionately, so that with respect to an Allowed Claim other than an Allowed Class 6 Claim, the ratio of (i) the amount of payments or other property distributable on account of a particular Allowed Claim in a particular Class under this Plan to (ii) the amount of such Allowed Claim in such Class is the same as the ratio of (a) the amount of payments or other property distributable on account of all Allowed Claims in such Class to (b) the amount of all Allowed Claims in such Class.

"Registration Rights Agreement" means a registration rights agreement to be entered into pursuant to Section 4.9 between Arch and any Person entitled to become a party to such registration rights agreement under Section 4.9, which shall be in substantially the form attached as Exhibit A.

"Reorganized Communications" means, on and after the Effective Date, Merger Subsidiary, the successor to Communications (as reorganized under and pursuant to this Plan) and a wholly owned subsidiary of Arch as a result of the Merger.

"Reorganized Debtors" means, on and after the Effective Date, Reorganized Communications and Reorganized MCCA.

"Reorganized Debtor's Certificate of Incorporation" means, (i) as to Reorganized Communications, the Certificate of Incorporation of Merger Subsidiary, as amended by the Certificate of Merger relating to the Merger and except that the name of the corporation set forth therein shall be changed to "MobileMedia Communications, Inc.", and (ii) as to Reorganized MCCA, the Certificate of Incorporation of Delaware Subsidiary Co.

"Reorganized Debtor's Bylaws" means, as to Reorganized Communications, the Bylaws of Merger Subsidiary, and as to Reorganized MCCA, the Bylaws of Delaware Subsidiary Co.

"Reorganized MCCA" means Delaware Subsidiary Co., the successor to MCCA (as reorganized under and pursuant to this Plan) and a wholly owned subsidiary of Reorganized Communications.

"Rights" means certificated, transferable rights issued by Arch. The securities to be offered pursuant to the Rights will be ~~(i) an aggregate number of Arch Common Shares determined in accordance with Schedule II to the Merger Agreement and (ii) if there has been no Rights Offering Adjustment, Arch Warrants entitling the holders thereof to purchase an aggregate number of Arch Common Shares determined as described in Schedule II to the Merger Agreement~~ **an aggregate of 108,500,000 Arch Capital Shares**. Each Right will be exercisable for one ~~Unit~~ **Arch Capital Share**.

"Rights Offering" means the issuance of the Rights by Arch to holders of Allowed Class 6 Claims on the Rights Offering Commencement Date.

~~"Rights Offering Adjustment" has the meaning set forth in Schedule II to the Merger Agreement.~~

"Rights Offering Commencement Date" means the date on which Arch commences the Rights Offering by mailing to holders of Allowed Class 6 Claims as of the Rights Offering Initial Record Date certificates representing the Rights and instructions for the exercise thereof, which date shall be as soon as practicable after the later to occur of (i) approval by the Bankruptcy Court of the Disclosure Statement and (ii) the effectiveness of the Registration Statement (as defined in the Merger Agreement).

"Rights Offering Distribution Pool" means all of the Rights <u>minus</u> the Rights included in the Rights Reserve.

"Rights Offering Expiration Date" means 5:00 p.m., New York City time, on the date on which the Rights Offering terminates, which date shall be established by Arch and Communications, on ~~or prior to the Confirmation Date, but shall be not less than 15 calendar days after~~ the later to occur of ~~(x) the Rights Offering Adjustment Determination Date~~ **<u>the Confirmation Date and receipt of the FCC Grant</u>** (as defined in ~~Schedule II to~~ the Merger Agreement) ~~and (y)~~**<u>, but shall be not less than 15 calendar days after</u>** the date on which all the conditions to effectiveness of this Plan shall have been satisfied or waived (other than (i) the requirement that the ~~order entered by the FCC~~ <u>FCC Grant</u> has become a Final Order in connection with the condition set forth in Section 5.1(e) of the Merger Agreement, ~~and (ii)~~ **<u>(ii) the requirement that the Confirmation Order has become a Final Order in connection with the condition set forth in Section 5.1(h) of the Merger Agreement, and (iii)</u>** such conditions that by their nature are to be satisfied on the Effective Date).

"Rights Offering Initial Record Date" means the date that is the record date to determine which holders of Claims are entitled to vote on this Plan.

"Rights Offering Pro Rata Share" means, as to any Allowed Class 6 Claim, a fraction, (i) the numerator of which is the amount of such Allowed Class 6 Claim as of the date of determination and (ii) the denominator of which is the aggregate amount of Allowed Class 6 Claims as of the Rights Offering Initial Record Date.

"Rights Offering Supplemental Record Date" means the Confirmation Date.

"Rights Reserve" means, as of the Rights Offering Initial Record Date, a number of Rights equal to the product of (i) the total number of Rights, and (ii) a fraction, (A) the numerator of which is the sum of the estimated aggregate amount of (x) Class 6 Claims that are Disputed Claims and (y) Claims arising from the rejection of executory contracts and unexpired leases pursuant to <u>Section 3.1</u> that are anticipated to become Allowed Claims, such estimate to be mutually agreed upon by the Debtors, the Committee and Arch, in good faith, or determined by the Bankruptcy Court if no such agreement can be reached, and (B) the denominator of which is the sum of the estimated aggregate amount of (x) Class 6 Claims that are Disputed Claims, (y) Claims arising from the rejection of executory contracts and unexpired leases pursuant to <u>Section 3.1</u> that are anticipated to become Allowed Claims, such estimate to be mutually agreed upon by the Debtors, the Committee and Arch, in good faith, or determined by the Bankruptcy Court if no such agreement can be reached, and (z) all Allowed Class 6 Claims as of such date**<u>, as such number may be adjusted pursuant to Section 4.1(B)(6)</u>**.

"Schedules" means the joint Schedules of Assets, Liabilities and Executory Contracts filed by the Debtors with the Clerk of the Bankruptcy Court for the District of Delaware pursuant to Bankruptcy Rule 1007, as such schedules have been or may be amended or supplemented by the Debtors from time to time.

"Secured Claim" means a Claim that is secured by a Lien on, or interest in, property of any of the Debtors, or that is subject to setoff under section 553 of the Code, but only to the extent of the value of the Creditor's interest (directly or by enforceable subrogation) in the Debtor's interest in such property, or to the extent of the amount subject to setoff, which value shall be determined as provided in section 506(a) of the Code or as provided in this Plan.

"Securities Actions" means, collectively, the actions styled In re MobileMedia Securities Litigation, No. 96-5723 (AJL) (D. N.J. 1996), Allen T. Gilliland Trust v. Hellman & Friedman Capital Partners II, L.P., et al., Civil Action No. 97-3543 (N.D. Cal. 1997) and Allen T. Gilliland Trust v. Hellman & Friedman MobileMedia Partners, L.L.C., et al., Case No. 989891 (Cal. Super. Ct. 1997).

"Semi-Annual Distribution Date" means the last Business Day of each June and December after the Effective Date and prior to the Final Distribution Date; provided, that if the Effective Date is within 60 days before the end of June or December, the first Semi-Annual Distribution Date will be the last Business Day of the next succeeding June (if the Effective Date is in December) or December (if the Effective Date is in June).

"Standby Purchase Commitment" means the various commitments of the Standby Purchasers to purchase ~~Units~~ **Arch Capital Shares** in the event any Rights are not exercised in the Rights Offering, as evidenced by the letters attached hereto as Exhibits B-1 through B-6, as such letters may be amended from time to time.

"Standby Purchasers" means those creditors of the Debtors that have executed a Standby Purchase Commitment.

"Subordinated Indemnification Obligation Claims" means Indemnification Obligations that are rejected pursuant to Section 7.5(A) and any Claims arising therefrom.

"Subordinated Indentures" means, collectively, the 9⅜% Note Indenture and the 10½% Note Indenture.

"Subordinated Noteholder Claims" means all Claims arising under or relating to the Subordinated Notes, the Subordinated Indentures and related agreements, other than Note Litigation Claims.

"Subordinated Notes" means, collectively, the 9⅜% Notes and the 10½% Notes.

"Subsidiary Claim" means any Claim by a Debtor against another Debtor.

"Subsidiary Interest" means any Interest held by a Debtor in another Debtor, including all options, warrants and other rights to purchase any such Interest in a Debtor held by another Debtor.

"Tower Sale Agreement" means the Purchase Agreement between the Debtors and Pinnacle Towers Inc. dated July 7, 1998, as approved by the Bankruptcy Court on August 10, 1998, or as amended in accordance therewith and in accordance with the order of the Bankruptcy Court.

~~"Unit" means (i) if there has not been a Rights Offering Adjustment, (x) one Arch Capital Share and (y) 0. of an Arch Warrant and (ii) if there has been a Rights Offering Adjustment, one Arch Capital Share.~~

"Unsecured Claim" means a Claim that is not an Administrative Claim, a Priority Claim, a Priority Tax Claim or a Secured Claim.

"Voting Deadline" means that date set in an order of the Bankruptcy Court as the deadline for the return of Ballots accepting or rejecting this Plan.

1.2 Interpretation. For purposes of this Plan: (a) whenever from the context it is appropriate, each term, whether stated in the singular or the plural, will include both the singular and the plural; (b) unless otherwise provided in this Plan, any reference in this Plan to a contract, instrument, release, indenture or other agreement or document being in a particular form or on particular terms and conditions means that such document will be substantially in such form or substantially on such terms and conditions; (c) unless otherwise provided in this Plan, any reference in this Plan to an existing document or Exhibit means such document or Exhibit, as it may have been or may be amended, modified or supplemented pursuant to this Plan; (d) unless otherwise specified herein, any reference to an entity as a holder of a Claim includes that entity's successors, assigns and affiliates; (e) unless otherwise specified, all references in this Plan to Sections, Articles and Exhibits are references to Sections, Articles and Exhibits of or to this Plan; (f) the words "herein" and "hereto" refer to this Plan in its entirety rather than to a particular portion of this Plan; (g) captions and headings to Articles and Sections are inserted for convenience of reference only and are not intended to be part of or to affect the interpretation of this Plan; and (h) the rules of construction set forth in section 102 of the Code will apply.

1.3 Computation of Time. In computing any period of time prescribed or allowed by this Plan, the provisions of Bankruptcy Rule 9006(a) will apply.

ARTICLE II
CLASSIFICATION AND TREATMENT OF CLAIMS AND INTERESTS

The following is a designation of the Classes of Claims and Interests classified under this Plan, and the treatment to be provided to each such Class.

A Claim or Interest shall be deemed classified in a particular Class only to the extent that the Claim or Interest qualifies within the description of that Class and shall be deemed classified in a different Class to the extent that any remainder of the Claim or Interest qualifies within the description of such different Class. Administrative Claims and Priority Tax Claims have not been classified in accordance with section 1123(a)(1) of the Code, although the treatment for such unclassified Claims is set forth below.

The treatment of and consideration to be provided on account of Claims and Interests pursuant to this Plan shall be in full settlement, release and discharge of such Claims and Interests; provided, that such discharge shall not affect the liability of any other entity on, or the property of any other entity encumbered to secure payment of, any such Claim or Interest, except as otherwise provided in this Plan; and provided, further, that such discharge shall not affect the Reorganized Debtors' obligations under and pursuant to this Plan. The treatment of and consideration to be provided to Allowed Claim and Interest holders in each Class shall apply to all of the Cases.

No Claim shall entitle the holder thereof to a distribution of cash or securities or to other consideration pursuant to this Plan unless, and only to the extent that, such Claim is an Allowed Claim.

UNCLASSIFIED CLAIMS

2.1 Administrative Claims.

A. General. Subject to the provisions of Section 4.4(A) and unless otherwise agreed by the holder of an Allowed Administrative Claim (in which event such other agreement shall govern), each holder of an Allowed Administrative Claim shall receive on account of such Administrative Claim: (i) cash equal to the unpaid amount of such Allowed Administrative Claim; or (ii) at the option of Reorganized Communications, payment in accordance with the ordinary business terms of such Allowed Administrative Claim.

B. Statutory Fees. On or before the Effective Date, Administrative Claims for fees payable pursuant to section 1930 of title 28 of the United States Code, 28 U.S.C. § 1930, as determined by the Bankruptcy Court at the Confirmation Hearing, will be paid in cash in an amount equal to the amount of such Administrative Claims. All such fees payable after the Effective Date will be assumed by the Reorganized Debtors.

C. Ordinary Course Liabilities. Administrative Claims based on liabilities incurred by the Debtors in the ordinary course of their businesses will be assumed and paid by Reorganized MCCA pursuant to the terms and conditions of the particular transaction giving rise to such Administrative Claim, without any further action by the holders of such Claims.

D. Funding of Certain Administrative Claims. Arch shall make available to Reorganized Communications any monies necessary for Reorganized Communications to make timely payment of all Administrative Claims; provided, that in the event the sum of Capped Administrative Claims and the costs and expenses of the Standby Purchasers as provided in the Standby Purchase Commitment exceeds $34,000,000, the number of Arch Common Shares constituting the Creditor Stock Pool shall be reduced by a number of shares equal to (i) the excess of the sum of (x) Capped Administrative Claims and (y) the costs and expenses of the Standby Purchasers as provided in the Standby Purchase Commitment over $34,000,000, divided by (ii) $25.315**; and provided, further, that in the event Arch effects the Reverse Stock Split (as defined in the Merger Agreement), the number of Arch Common Shares constituting the Creditor Stock Pool shall be adjusted as set forth in Section 8.18 of the Merger Agreement**.

2.2 Priority Tax Claims. Unless otherwise agreed by the holder of an Allowed Priority Tax Claim (in which event such other agreement shall govern), each holder of an Allowed Priority Tax Claim against any of the Debtors shall, on the Effective Date, receive, at Arch's option, either (a) cash equal to the amount of such Allowed Priority Tax Claim or (b) a promissory note payable by Reorganized Communications in a principal amount equal to the amount of such Allowed Priority Tax Claim on which interest shall accrue from and after the Effective Date at the rate of 7% or such higher or lower rate as is determined by the Bankruptcy Court to be appropriate under section 1129(a)(9)(C) of the Code and shall be paid semiannually in arrears; the principal amount of the promissory note shall be paid in full on a date or dates six (6) years after the date of assessment of such Allowed Priority Tax Claim.

CLASSIFIED CLAIMS AGAINST AND INTERESTS IN THE DEBTORS

2.3 Class 1 Claims (Priority Claims).

A. Classification. Class 1 consists of all Priority Claims against any of the Debtors.

B. Allowance. Claims in Class 1 shall be allowed or disallowed in accordance with Section 4.4(B) of this Plan and applicable provisions of the Code and Bankruptcy Rules.

C. Treatment. Allowed Claims in Class 1 shall be paid in full in cash on the later of the Effective Date and a date that is as soon as practicable after the date upon which such Claim becomes an Allowed Priority Claim.

D. Impairment and Voting. Class 1 Claims are unimpaired and are not entitled to vote on this Plan.

2.4 Class 2 Claims (Miscellaneous Secured Claims).

A. Classification. Class 2 consists of all Miscellaneous Secured Claims against any of the Debtors, if any.

B. Allowance. Claims in Class 2 shall be allowed or disallowed in accordance with Section 4.4(B) of this Plan and applicable provisions of the Code and Bankruptcy Rules.

C. Treatment. The legal, equitable and contractual rights to which each holder of an Allowed Claim in Class 2 is entitled shall be left unaltered or, at the option of the Reorganized Debtors, shall be left unimpaired in the manner described in section 1124(2) of the Code.

D. Impairment and Voting. Class 2 Claims are unimpaired and are not entitled to vote on this Plan.

2.5 Class 3 Claims (Customer Refund Claims).

A. Classification. Class 3 consists of all Customer Refund Claims against any of the Debtors not otherwise classified in Class 1 or Class 2.

B. Allowance. Claims in Class 3 shall be allowed or disallowed in accordance with Section 4.4(B) of this Plan and applicable provisions of the Code and Bankruptcy Rules.

C. Treatment. The legal, equitable and contractual rights to which each holder of an Allowed Claim in Class 3 is entitled shall be left unaltered or, at the option of the Reorganized Debtors, shall be left unimpaired in the manner described in section 1124(2) of the Code.

D. Impairment and Voting. Class 3 Claims are unimpaired and are not entitled to vote on this Plan.

2.6 Class 4 Claims (Claims arising under or related to the 1995 Credit Agreement).

A. Classification. Class 4 consists of all Secured Claims against any of the Debtors arising under or related to the 1995 Credit Agreement.

B. Allowance. Allowed Class 4 Claims shall consist of the following unpaid obligations arising under the 1995 Credit Agreement, and shall be Allowed in an aggregate amount equal to: (i) ~~$649,000,000 minus the Net Tower Sale Proceeds actually paid to the Pre-Petition Agent on behalf of the holders of Allowed Class 4 Claims~~ $479,000,000; (ii) reasonable accrued and unpaid commitment, letter of credit and similar fees under the 1995 Credit Agreement, in an amount, as of the Petition Date, equal to $179,148.29, together with any such amounts accrued after the Petition Date and unpaid as of the Effective Date; (iii) the unpaid, reasonable costs and expenses of the Pre-Petition Agent, to the extent provided in the 1995 Credit Agreement; and (iv) the unpaid, reasonable costs and expenses of the members of the Steering Committee for the Pre-Petition Lenders, other than the Pre-Petition Agent, up to the aggregate amount of $1,000,000. Adequate protection payments in connection with, and the costs and expenses of the Pre-Petition Agent arising under, the 1995 Credit Agreement shall continue to be paid in cash through the Effective Date at the rate and in the manner set forth under the DIP

Approval Orders. Class 4 Claims shall not include interest accrued at the default rate under Section 5.4(c) of the 1995 Credit Agreement or otherwise.

C. Treatment. Each holder of an Allowed Claim in Class 4 shall receive, in full satisfaction of its Claim, cash equal to the amount of its Allowed Claim, payable in accordance with Section 4.3(A).

D. Impairment and Voting. Class 4 Claims are impaired and are entitled to vote on this Plan.

2.7 Class 5 Claims (Claims arising under or related to the Dial Page Notes).

A. Classification. Class 5 consists of all Claims against any of the Debtors arising under or related to the Dial Page Notes, the Dial Page Indenture and related agreements, other than Note Litigation Claims.

B. Allowance. Class 5 Claims shall be Allowed Claims in the sum of: (i) the outstanding principal amount of the Dial Page Notes; (ii) unpaid interest on the Dial Page Notes accrued to the Effective Date calculated at the non-default rate set forth in the Dial Page Notes; and (iii) the unpaid reasonable fees and expenses of the trustee for the Dial Page Notes incurred prior to the Petition Date, to the extent provided for in the Dial Page Indenture.

C. Treatment. Each holder of an Allowed Claim in Class 5 shall receive, in full satisfaction of its Claim, cash equal to the full amount of its Allowed Claim, payable in accordance with Section 4.3(B).

D. Impairment and Voting. Class 5 Claims are impaired and are entitled to vote on this Plan.

2.8 Class 6 Claims (Non-Priority Unsecured Claims).

A. Classification. Class 6 consists of all Non-Priority Unsecured Claims against any of the Debtors, including the Subordinated Noteholder Claims.

B. Allowance. (i) Class 6 Claims other than Subordinated Noteholder Claims and Personal Injury Claims shall be allowed or disallowed in accordance with Section 4.4(B) and applicable provisions of the Code and Bankruptcy Rules, (ii) Subordinated Noteholder Claims other than Claims of the indenture trustees under the Subordinated Indentures shall be Allowed Claims in the sum of: (x) the outstanding principal amount (or outstanding accreted principal amount, as the case may be) of the Subordinated Notes and (y) unpaid interest on the Subordinated Notes accrued prior to the Petition Date calculated at the non-default rate set forth in the Subordinated Notes, (iii) Subordinated Noteholder Claims for the indenture trustees under the Subordinated Indentures shall be Allowed Claims in an amount equal to the unpaid reasonable fees and expenses of each such indenture trustee incurred prior to and after the Petition Date through the Effective Date, to the extent provided for in the Subordinated Indentures, and (iv)

Personal Injury Claims shall be liquidated and allowed or disallowed in the district court in which the Cases are pending, or in the district court in the district in which the claim arose, as determined by the district court in which the Cases are pending.

C. Treatment.

1. Each holder of an Allowed Claim in Class 6 (other than the indenture trustees under the Subordinated Indentures) shall receive:

(a) for each holder of an Allowed Claim as of the Rights Offering Initial Record Date, from Arch on the Rights Offering Commencement Date, its Rights Offering Pro Rata Share of the Rights Offering Distribution Pool;

(b) for each holder of a Claim that becomes an Allowed Claim after the Rights Offering Initial Record Date but before the Rights Offering Supplemental Record Date, (i) from Arch, as soon as practicable after the Rights Offering Supplemental Record Date, an amount of Rights from the Rights Reserve equal to the amount of Rights that would have been such holder's Rights Offering Pro Rata Share of the Rights Offering Distribution Pool if such holder's Claim had been an Allowed Claim as of the Rights Offering Initial Record Date or, (ii) if the number of Rights in the Rights Reserve on the Rights Offering Supplemental Record Date is insufficient to make the distribution set forth in clause (i), from Arch, (x) its ratable share (based on such holders' respective amounts of Allowed Class 6 Claims) of the Rights in the Rights Reserve on such date and (y) its Cash Equivalent of each Right (or portion thereof) that would have been distributed pursuant to clause (i) if sufficient Rights had been available in the Rights Reserve on the Rights Offering Supplemental Record Date;

(c) from Arch on the Effective Date, if such holder has exercised any or all of its Rights in accordance with the terms and conditions thereof, for each Right so exercised, ~~a Unit~~ **one Arch Capital Share**;

(d) for each holder of a Claim in Class 6 that is not Allowed as of the Rights Offering Supplemental Record Date, from Arch, instead of receiving any Rights, as soon as reasonably practical after such Claim becomes an Allowed Claim (but no sooner than the Effective Date), its Cash Equivalent;

(e) from the Exchange Agent (x) if such Claim is an Allowed Claim on the Effective Date, on or as soon as practicable after the

Effective Date, its Class 6 Pro Rata Share of the Creditor Stock Pool or (y) if such Claim is not an Allowed Claim on the Effective Date, on a later date after which the Claim is Allowed, its Class 6 Pro Rata Share of the Creditor Stock Pool; and

(f) from the Exchange Agent on the Final Distribution Date, its Class 6 Adjusted Pro Rata Share of the Arch Common Shares remaining in the Creditor Stock Pool, if any, on such date; provided, that if there are fewer than 10,000 Arch Common Shares remaining in the Creditor Stock Pool on the Final Distribution Date, no distribution will be made to holders of Allowed Class 6 Claims on such date, and the Arch Common Shares remaining in the Creditor Stock Pool on such date shall be returned to Arch and become treasury shares.

2. In lieu of the foregoing treatment, any holder of a Claim in Class 6 of ~~$1,000~~ **$2,000** or less may elect, by marking the appropriate box on the Ballot sent to such holder, to receive cash equal to 50% of its Allowed Claim, or, if such holder's claim is in excess of ~~$1,000~~ **$2,000**, such holder may elect to have its Claim reduced to and Allowed at ~~$1,000~~ **$2,000** and receive cash with respect to such reduced Claim in accordance with this Section 2.8(C)(2).

3. On the Effective Date, the Reorganized Debtors shall pay to the indenture trustees under the Subordinated Indentures cash equal to the amount of fees and expenses of the indenture trustees (including the reasonable fees and expenses of counsel retained by the indenture trustees), in accordance with and to the extent provided for in the Subordinated Indentures, whether incurred prior or subsequent to the Petition Date, without application by or on behalf of the indenture trustees or their respective counsel to the Bankruptcy Court.

D. Impairment and Voting. Class 6 Claims are impaired and are entitled to vote on this Plan.

2.9 Class 7 Claims (Note Litigation Claims).

A. Classification. Class 7 consists of all Note Litigation Claims against any of the Debtors.

B. Treatment. The holders of Claims in Class 7 shall not be entitled to receive or retain any property pursuant to this Plan on account of their Claims.

C. Impairment and Voting. Class 7 Claims are impaired and are deemed not to have accepted this Plan.

2.10 Class 8 Claims and Interests (Common Stock Claims and Interests and Subordinated Indemnification Obligation Claims).

A. Classification. Class 8 consists of all Interests arising from or related to the Common Stock, all Common Stock Claims and all Subordinated Indemnification Obligation Claims against any of the Debtors.

B. Treatment. Interests in Class 8 shall be canceled, and the holders of Claims and Interests in Class 8 shall not be entitled to receive or retain any property on account of their Claims and Interests.

C. Impairment and Voting. Class 8 Claims and Interests are impaired and are deemed not to have accepted this Plan.

2.11 Class 9 Claims and Interests (Subsidiary Claims and Interests).

A. Classification. Class 9 consists of all Subsidiary Claims and Subsidiary Interests.

B. Treatment. The Interests in Class 9 shall be canceled, except that, in accordance with Section 4.2(B), Reorganized Communications shall retain its Interests in Reorganized MCCA, and the holders of Claims and Interests in Class 9 shall not be entitled to receive or retain any property on account of such Claims and Interests.

C. Impairment and Voting. Class 9 Claims and Interests are impaired and are deemed not to have accepted this Plan.

ARTICLE III
TREATMENT OF EXECUTORY CONTRACTS AND UNEXPIRED LEASES

3.1 Rejection. No later than 25 days prior to the Voting Deadline, the Debtors, at the direction of Arch, shall prepare a schedule of the executory contracts and unexpired leases to be rejected on the Effective Date (the "Rejection Schedule"). The Rejection Schedule shall be filed and served on each party to an executory contract or unexpired lease listed thereon to be rejected by the Debtors no later than twenty days prior to the Voting Deadline. Any claims for damages arising from the rejection of an executory contract or unexpired lease listed on the Rejection Schedule must be filed by the Voting Deadline and shall be determined, if necessary, at Confirmation. The Rejection Schedule may be amended from and after the Confirmation Date for sixty days thereafter (but in no event after the Effective Date) by the Debtors at the direction of Arch and with notice to any party to an executory contract or unexpired lease added to or removed from such schedule. Any claims for damages arising from the rejection of an executory contract or unexpired lease rejected after the Confirmation Date pursuant to this Section 3.1 must be filed within 20 days after receipt of notice of rejection of such contract. Any such Claims not filed within the applicable 20-day period shall be barred and may not thereafter be asserted.

3.2 Assumption.

A. Assumed Contracts. Each executory contract or unexpired lease of the Debtors that has not expired by its own terms prior to the Effective Date, has not been rejected during the Cases prior to Confirmation, is not subject to a notice of rejection and is not rejected under this Plan shall, by the terms of this Plan, be assumed by Reorganized MCCA pursuant to sections 365 and 1123(b)(2) of the Code on the Effective Date. All such assumed contracts, unexpired leases, franchises and permits, and any contracts or unexpired leases assumed by the Debtors by order of the Bankruptcy Court prior to the Confirmation Date, shall be vested in and continue in effect for the benefit of the Reorganized Debtors.

B. Cure Payments and Release of Liability. The Debtors shall, at least twenty days prior to the Voting Deadline, file and serve on all parties to executory contracts and unexpired leases to be assumed as of the Effective Date, and on the Pre-Petition Agent, the Committee and Arch a schedule setting forth the amount of cure and compensation payments to be provided by the Reorganized Debtors in accordance with section 365(b)(1) of the Code, which schedule shall be acceptable to Arch. Objections to any such proposed cure payment must be made by the Voting Deadline, and shall be determined, if necessary, at the Confirmation Hearing. In the event the Debtors amend the Rejection Schedule pursuant to Section 3.1 after the Confirmation Date to remove an executory contract or unexpired lease therefrom, the Debtors shall, within five days after such amendment to the Rejection Schedule, file and serve on all parties to executory contracts and unexpired leases to be assumed as a result of any such Schedule amendment, and on the Pre-Petition Agent, the Committee and Arch, a supplemental schedule setting forth the amount of cure and compensation payments to be provided by the Reorganized Debtors in accordance with section 365(b)(1) of the Code, which supplemental schedule of cure payments shall be reasonably acceptable to Arch. Objections to any proposed cure payment set forth in the supplemental schedule must be made within 20 days after receipt thereof. A party to an assumed executory contract or unexpired lease that has not filed an appropriate pleading with the Bankruptcy Court on or before the applicable 20-day period shall be deemed to have waived its right to dispute such amount. All unpaid cure and compensation payments under any executory contracts or unexpired leases that are assumed or assumed and assigned under this Plan (including, without limitation, Claims filed in the Cases or listed in the Schedules and Allowed by order of the Bankruptcy Court prior to the Confirmation Date that relate to executory contracts or unexpired leases that are assumed or assumed and assigned under this Plan) shall be made by the Reorganized Debtors as soon as practicable after the Effective Date, but not later than thirty days after the Effective Date; provided, that, in the event of a dispute regarding the amount of any cure and compensation payments, the Reorganized Debtors shall make such cure and compensation payments as may be required by section 365(b)(1) of the Code following the entry of a Final Order resolving such dispute.

C. Continuation of Employment Agreements and Benefits Agreements. On the Effective Date, the Debtors shall assume pursuant to sections 365 and 1123(b)(2) of the Code the employment and benefit agreements set forth on Schedule 1.

3.3 Post-Petition Contracts and Leases. All contracts and leases entered into by the Debtors after the Petition Date, including (a) the Tower Sale Agreement and (b) the Master Lease between Communications and Pinnacle Towers Inc. to be entered into pursuant to the Tower Sale Agreement, but excluding the DIP Credit Agreement, shall be deemed assigned by the Debtors to Reorganized MCCA on the Effective Date.

ARTICLE IV
IMPLEMENTATION OF PLAN

4.1 Actions Occurring Prior to the Effective Date.

A. Actions Occurring Before the Confirmation Date.

1. Rights Offering. Pursuant to the Merger Agreement, Arch will commence the Rights Offering and the Arch Stockholder Rights Offering.

2. Standby Purchase Commitments. Each of the Standby Purchasers has executed the Standby Purchase Commitment, copies of which are attached hereto as Exhibits B-1 through B-6.

B. Actions Occurring Between the Confirmation Date and the Effective Date.

1. Management and Operation of Debtors. After the Confirmation Date and until the Effective Date, the Debtors shall be managed by substantially the same personnel that managed and operated the Debtors on the Confirmation Date, subject to such changes as may be determined by the Board of Directors of a Debtor in accordance with the Bylaws and Articles or Certificate of Incorporation of such Debtor. During such period, the Debtors will conduct their business in the usual, regular and ordinary course, in a manner consistent with past practice, sound business practice and the terms of this Plan and the Merger Agreement, and subject to their obligations as debtors-in-possession pursuant to the Code.

2. Continuation of Committee. The Committee shall continue to exist after the Confirmation Date until the Effective Date with the same power and authority, and the same ability to retain and compensate professionals, as it had prior to the Confirmation Date, and shall be dissolved on the Effective Date.

3. Rights of Creditors and Committee. Between the Confirmation Date and the Effective Date, the Committee, the holders of Claims against and Interests in the Debtors and the indenture trustees for the Notes shall be parties-in-interest in all proceedings in the Bankruptcy Court with the same rights to participate in such proceedings as such persons had prior to Confirmation.

4. Term of Injunctions or Stays. All injunction or stays, whether by operation of law or by order of the Bankruptcy Court, provided for in the Cases pursuant to sections 105 or 362 of the Code or otherwise that are in effect on the Confirmation Date shall remain in full force and effect until the Effective Date.

5. Sale of Rights Reserve. Arch shall select an agent independent of Arch (as such term is defined in Regulation M promulgated under the Securities Exchange Act of 1934), which independent agent shall be reasonably acceptable to the Debtors and the Committee, to sell Rights from the Rights Reserve in the over-the-counter market on a date or dates no more than five business days in advance of the Rights Offering Expiration Date. All proceeds derived from such sale shall be distributed to Arch.

6. Stock Split. If the Reverse Stock Split (as defined in the Merger Agreement) is effective prior to or simultaneously with the Effective Date, the number of shares issued or issuable in the Rights Offering and the Arch Stockholder Rights Offering and the subscription price therefor, the number of shares specified in the definition of Creditor Stock Pool, the number of Rights in the Rights Reserve and the number of shares of Arch Common Stock issuable upon exercise of the Arch Participation Warrants and the exercise price therefor shall be adjusted as set forth in Section 8.18 of the Merger Agreement.

4.2 Actions Occurring on the Effective Date.

A. Revesting of Assets. Except as provided in this Plan, all property of the estate, to the full extent of section 541 of the Code, and any and all other rights and assets of the Debtors of every kind and nature shall, on the Effective Date of this Plan, revest in the Reorganized Debtors free and clear of all Liens, Claims and Interests other than **(i)** those Liens, Claims and Interests retained or created pursuant to this Plan **and (ii) Liens that have arisen subsequent to the Petition Date on account of taxes that arose subsequent to the Petition Date.**

B. Merger. Effective as of the Effective Date but immediately prior to the discharge of the Debtors described in Section 6.1, each of the following transactions shall occur in the order listed: (i) MobileMedia shall contribute to the capital of Communications all Subsidiary Claims that it holds; (ii) Communications shall contribute to the capital of each of its direct subsidiaries other than FWS Radio, Inc. any Subsidiary Claim that it holds against each such subsidiary; (iii) Communications shall contribute to the capital of FWS Radio, Inc., 50% of any Subsidiary Claim that it holds against FWS Radio, Inc.; (iv) Communications shall contribute to the capital of MCCA all Subsidiary Claims that it holds against direct and indirect subsidiaries of MCCA (which includes any remaining Subsidiary Claim, against FWS Radio, Inc.); (v) MCCA shall contribute to the capital of each of its direct subsidiaries other than MobileComm of the West, Inc. any Subsidiary Claim that it holds against each such subsidiary; (vi) MCCA shall contribute to the capital of MobileComm of the West, Inc. 89% of any Subsidiary Claim that it holds against MobileComm of the West, Inc.; (vii) MCCA shall contribute to

the capital of MobileComm of the Northeast, Inc. any remaining Subsidiary Claim that it holds against MobileComm of the West, Inc. and MobileComm of the Northeast, Inc. shall, in turn, contribute any such Subsidiary Claim against MobileComm of the West, Inc. to the capital of MobileComm of the West, Inc.; and (viii) MCCA shall contribute to the capital of MobileComm of the Southwest, Inc. any Subsidiary Claim that it holds against FWS Radio, Inc. and MobileComm of the Southwest, Inc. shall, in turn, contribute any such Subsidiary Claim against FWS Radio, Inc. to the capital of FWS Radio, Inc.

~~B. Merger.~~ Effective as of the Effective Date but immediately following the discharge of the Debtors described in Section 6.1, each of the following transactions shall occur in the order listed: (i) MobileMedia shall contribute all of its assets to Communications and thereafter immediately dissolve, at which time the separate corporate existence of MobileMedia shall cease; (ii) Communications shall merge with and into Merger Subsidiary, and the separate corporate existence of Communications shall cease as contemplated by the Merger Agreement; (iii) MCCA shall merge with and into Delaware Subsidiary Co., a Delaware corporation originally a wholly owned direct subsidiary of Communications and a wholly owned direct subsidiary of Merger Subsidiary as a result of the merger described in clause (ii) of this Section 4.2(B), and the separate corporate existence of MCCA shall cease; (iv) all wholly owned direct subsidiaries of MCCA shall be merged with and into Delaware Subsidiary Co. (as successor to MCCA); (v) Merger Subsidiary (as successor to Communications) shall contribute its interest in the common stock of FWS Radio, Inc. to Delaware Subsidiary Co. (as successor to MCCA), and FWS Radio, Inc. shall then be merged with and into Delaware Subsidiary Co. (as successor to MCCA); (vi) MobileComm of the West, Inc., a wholly owned direct subsidiary of Delaware Subsidiary Co. (as successor to MCCA) as a result of the mergers described in clause (iv) of this Section 4.2(B), shall be merged with and into Delaware Subsidiary Co. (as successor to MCCA); (vii) Dial Page Southeast, Inc., MobileMedia Communications, Inc. (California), MobileMedia DP Properties, Inc., MobileMedia Paging, Inc., MobileMedia PCS, Inc. and Radio Call Co. of Virginia, Inc., all wholly owned direct subsidiaries of Merger Subsidiary (as successor to Communications) shall be merged with and into Delaware Subsidiary Co. (as successor to MCCA); (viii) Merger Subsidiary shall transfer its assets (other than its shares of Delaware Subsidiary Co.) to Delaware Subsidiary Co.; and (ix) Delaware Subsidiary Co. shall organize License Co. L.L.C. as a wholly owned limited liability company of Delaware Subsidiary Co. and shall transfer the Licenses then held by it to License Co. L.L.C. It is anticipated that License Co. L.L.C. will be taxed as a branch of Delaware Subsidiary Co. Notwithstanding the foregoing, Arch and the Reorganized Debtors retain their right to make such changes in the post-Effective Date corporate structure of Arch and the Reorganized Debtors as is determined in the business judgment of Arch and Reorganized Communications.

C. Amended Certificates of Incorporation and Corporate Governance.

1. Certificates of Incorporation. As of the Effective Date, each Reorganized Debtor's Certificate of Incorporation shall comply with section 1123(a)(6) of the Code.

2. Bylaws. As of the Effective Date, the bylaws of Reorganized Communications shall be the same as the bylaws of the Merger Subsidiary as in effect immediately prior to the Effective Date (except that the name of the corporation set forth therein shall be changed to "MobileMedia Communications, Inc."), and the bylaws of Reorganized MCCA shall be the same as the by laws of Delaware Subsidiary Co. as in effect immediately prior to the Effective Date (except that the name of the corporation set forth therein shall be changed to "Mobile Communications Corporation of America"). Each Reorganized Debtor's Bylaws will be effective as of the Effective Date.

3. Corporate Governance. The directors and officers of each Debtor shall continue to serve in such capacities until the Effective Date. As of the Effective Date, the directors and officers of each Debtor that is not a Reorganized Debtor will be terminated, the directors and officers of Merger Subsidiary immediately prior to the Effective Date shall become the directors and officers of Reorganized Communications, the directors of Merger Subsidiary immediately prior to the Effective Date shall become the directors of Reorganized MCCA and the officers of Delaware Subsidiary Co. immediately prior to the Effective Date shall become the officers of Reorganized MCCA. The Debtors shall file with the Bankruptcy Court no later than ten (10) Business Days prior to the Voting Deadline a statement setting forth the office, the names and affiliations of, and the compensation proposed to be paid to, the individuals intended to serve as directors and officers of each Reorganized Debtor, as well as of Arch, on and after the Effective Date. On and after the Effective Date, each Reorganized Debtor shall be governed in accordance with such Reorganized Debtor's Certificate of Incorporation and such Reorganized Debtor's Bylaws.

4. Amendments after the Effective Date. After the Effective Date, each Reorganized Debtor's Certificate of Incorporation, each Reorganized Debtor's Bylaws and the officers and directors of each Reorganized Debtor shall be subject to such amendments or changes as may be made by law, or by such Reorganized Debtor's Certificate of Incorporation or such Reorganized Debtor's Bylaws.

5. Estate Representative. Within 15 days after the Confirmation Date, the Committee shall designate a person, subject to Arch's and the Debtors' consent (which consent shall not be unreasonably withheld) (the "Estate Representative"), who shall be responsible for the winding up of the Debtors' estates after the Effective Date. The Estate Representative shall have the authority to hire counsel and other advisors, to prosecute and settle Disputed Claims, to oversee distributions by the Exchange Agent, to pursue any preserved Causes of Action and otherwise to effect the closing of the Cases. The Estate Representative shall be reimbursed for all reasonable expenses incurred in the performance of his or her duties as Estate Representative by Arch based on a monthly budget to be submitted to Arch no later than ten Business Days prior to the end of each month after the Effective Date for the succeeding month, which Budget shall set forth in reasonable detail the proposed activities to be undertaken by the Estate Representative during such month and the estimated costs and expenses therefor. If Arch does not object to such Budget within five Business Days after receipt thereof, it shall be the final budget for such month. At least once every calendar quarter, the Estate Representative shall

report to Arch on the material activities taken in the prior quarter and to be taken in the succeeding quarter, which activities shall be reasonably acceptable to Arch.

D. Cancellation of Stock. On and as of the Effective Date, the Common Stock, and each share of capital stock of each Debtor other than MobileMedia not owned, beneficially and of record, by MobileMedia or one of the other Debtors, shall be canceled and rendered null and void.

4.3 Distributions Occurring On and After the Effective Date.

A. Distributions to Holders of Allowed Class 4 Claims. The cash distribution to be made to the holders of Allowed Class 4 Claims shall be made by wire transfer by Arch on the Effective Date or the first Business Day thereafter to the Pre-Petition Agent, which shall, subject to the rights of the Pre-Petition Agent, if any, against the other holders of Allowed Class 4 Claims under the 1995 Credit Agreement, promptly transmit to each such holder its Pro Rata Share of the cash provided by Arch; provided, that, if requested by a Standby Purchaser in writing at least two days prior to the Effective Date, any cash to be distributed to the Standby Purchaser on account of such Standby Purchaser's Allowed Class 4 Claim shall, in accordance with the instructions included in such written request, be applied on behalf of the Standby Purchaser first to the payment of any amounts required to be paid by such Standby Purchaser in accordance with its Standby Purchase Commitment.

B. Distributions to Holders of Dial Page Notes.

1. Exchange of Notes. The cash distribution to be made to the holders of Allowed Class 5 Claims shall be made by Reorganized Communications to the Dial Page Indenture Trustee on the Effective Date or the first Business Day thereafter, which shall, subject to the rights of such Dial Page Indenture Trustee as against holders of the Dial Page Notes under the Dial Page Indenture, transmit, upon surrender by a holder of its Dial Page Notes, the cash to which such holder is entitled under Section 2.7(C). The reasonable fees and expenses of the Dial Page Indenture Trustee incurred solely in connection with making such distributions, unless otherwise paid hereunder, shall be paid by Reorganized Communications to the extent so required by the Dial Page Indenture or as otherwise agreed between Reorganized Communications, the Dial Page Indenture Trustee and Arch, and in any case subject to required approvals of the Bankruptcy Court, if any.

2. Lost Notes. If a holder of a Dial Page Note is unable to surrender such Note because it has been destroyed, lost or stolen, such holder may receive a distribution with respect to such Note upon request to the Dial Page Indenture Trustee in an acceptable form with: (i) proof of such holder's title to such Note; (ii) proof of the destruction or theft of such Note, or an affidavit to the effect that the same has been lost and after diligent search cannot be found; and (iii) such indemnification as may reasonably be required by the Reorganized Debtors to indemnify Arch, the Reorganized Debtors, the Dial Page Indenture Trustee and all other persons deemed appropriate by the Reorganized Debtors, against any loss, action, suit or

other claim whatsoever that may be made as a result of such holder's receipt of a distribution on account of such Dial Page Note under this Plan.

C. Distributions from Arch. Arch will distribute to each holder of an Allowed Class 6 Claim and each Standby Purchaser that exercised its Rights in accordance with the terms thereof (and, in the case of the Standby Purchasers, in accordance with the terms of the Standby Purchase Commitment), on the Effective Date, for each Right so exercised, the Arch Common Shares or Arch Class B Shares, as applicable, ~~and, if no Rights Offering Adjustment shall have occurred, Arch Warrants together comprising the Units~~ subscribed for. Arch will distribute to each holder of an Allowed Class 6 Claim that was not Allowed as of the Rights Offering Supplemental Record Date, as soon as practicable after such Claim is Allowed (but no sooner than the Effective Date), its Cash Equivalent, as provided in Section 2.8(C)(1)(d). In the event the exercise of Rights and the purchase of ~~the Units~~ **Arch Common Shares** would cause (i) any "person" or "group" (as such terms are used in Section 13(d) and 14(d) of the Securities and Exchange Act of 1934) or (ii) the Standby Purchasers collectively, on the Effective Date, in the aggregate, to beneficially own, within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934 and Rule 13d-3 and 13d-5 promulgated thereunder (except that a Person shall be deemed to have beneficial ownership of all securities that such Person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), (a) more than 49.0% of the number of shares of the capital stock of Arch generally entitled to vote in the election of directors or (b) more than 49.0% of the total voting power of the capital stock of Arch, then, the "person" or "group" or the Standby Purchasers, shall receive in lieu of the Arch Common Shares ~~included in such Units~~, Arch Class B Common Shares such that (x) such "person" or "group" or (y) the Standby Purchasers collectively, on the Effective Date, in the aggregate, beneficially own, within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934, and Rule 13d-3 and 13d-5 promulgated thereunder (except that a Person shall be deemed to have beneficial ownership of all securities that such Person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), (i) no more than 49.0% of the number of shares of the capital stock of Arch generally entitled to vote in the election of directors and (ii) no more than 49.0% of the total voting power of the capital stock of Arch on the Effective Date. For purposes of calculating the percentages referred to above, it will be assumed that no additional Class 6 Claims are Allowed after the Effective Date and all of the Arch Common Shares in the Creditor Stock Pool are distributed to the Allowed Class 6 Claims as of the Effective Date.

D. Distributions from the Exchange Agent. On the Effective Date, Arch will deliver to the Exchange Agent a certificate, in the name of the Exchange Agent, for the number of Arch Common Shares comprising the Creditor Stock Pool. Distributions to the holders of Allowed Class 6 Claims other than on account of the Rights, on the Effective Date and thereafter, shall be made by the Exchange Agent on behalf of Reorganized Communications from the Arch Common Shares evidenced by the certificate so delivered by Arch.

1. Holders of the Subordinated Notes. As soon as practicable after the Effective Date, Reorganized Communications shall cause the Exchange Agent to send a notice and a transmittal form (which shall specify that delivery shall be effected and risk of loss

and title to the Subordinated Notes shall pass, only upon delivery of the Subordinated Notes to the Exchange Agent, and shall be in such form and have such other reasonable provisions as Arch may reasonably specify) to each holder of a Subordinated Note advising such holder of the effectiveness of the Merger and this Plan and the procedure for surrendering to the Exchange Agent such Subordinated Note in exchange for the Arch Common Shares issuable to it pursuant to Section 2.8(C).

Commencing on the Effective Date, the Exchange Agent shall distribute to each holder of an Allowed Claim that constitutes a Subordinated Noteholder Claim, upon proper surrender of its Subordinated Notes, its Pro Rata Share of the Creditor Stock Pool. Thereafter, on each Semi-Annual Distribution Date, distributions of a holder's Pro Rata Share of the Creditor Stock Pool shall be made to the holders of Allowed Class 6 Claims that constitute Subordinated Noteholder Claims who have surrendered their Subordinated Notes since the preceding Semi-Annual Distribution Date (or, with respect to the first Semi-Annual Distribution Date, since the Effective Date). Final distributions of Arch Common Shares shall be made on the Final Distribution Date to each holder of an Allowed Class 6 Claim constituting a Subordinated Noteholder Claim based on its Class 6 Adjusted Pro Rata Share of the remaining shares in the Creditor Stock Pool (subject to Section 2.8(C)(1)(f)).

In the event of a transfer of ownership of Subordinated Notes that is not registered on the transfer records of the indenture trustee for such Subordinated Notes, the securities to be distributed may be distributed to a transferee of the Subordinated Notes if an executed letter of transmittal in form satisfactory to the Exchange Agent is presented to the Exchange Agent, accompanied by such documents as are required to evidence and effect such transfer and by evidence that any applicable transfer taxes have been paid.

After the Effective Date, there shall be no further registration of transfers on the record books of Reorganized Communications of the Subordinated Notes outstanding prior to the Effective Date. If, after the Effective Date, the Subordinated Notes are presented to Reorganized Communications for any reason, they shall be canceled and exchanged as provided in this Section 4.3(D)(1).

If any Arch Common Shares are to be issued in the name of a person other than the person in whose name the Subordinated Note surrendered in exchange therefor is registered, it shall be a condition to the issuance of such Arch Common Shares that (i) the Subordinated Note so surrendered shall be transferable, and shall be properly assigned and endorsed, (ii) such transfer shall otherwise be proper and (iii) the person requesting such transfer shall pay to the Exchange Agent any transfer or other taxes payable by reason of the foregoing or establish to the satisfaction of the Exchange Agent that such taxes have been paid or are not required to be paid. Notwithstanding the foregoing, neither the Exchange Agent nor any Person shall be liable to a holder of Subordinated Notes for any Arch Common Shares issuable to such holder pursuant to Section 2.8(C) that are delivered to a public official pursuant to applicable abandoned property, escheat or similar laws.

No dividends or other distributions that are payable to the holders of record of Arch Common Shares as of a date on or after the Effective Date shall be paid to holders of Allowed Class 6 Claims entitled to receive Arch Common Shares pursuant to Section 2.8(C) until such holders surrender their Subordinated Notes in accordance with this Section 4.3(D)(1). Upon such surrender, Arch shall pay or deliver to the persons in whose name the certificates representing such Arch Common Shares are issued any dividends or other distributions that have been paid or are payable to the holders of record of Arch Common Shares as of a date on or after the Effective Date and which were paid or delivered between the Effective Date and the time of such surrender; provided, that no such person shall be entitled to receive any interest on such interest payments, dividends or other distributions.

If a holder of a Subordinated Note is unable to surrender such Note because it has been destroyed, lost or stolen, such holder may receive a distribution with respect to such Note upon request to the Exchange Agent in an acceptable form with: (i) proof of such holder's title to such Note; (ii) proof of the destruction or theft of such Note, or an affidavit to the effect that the same has been lost and after diligent search cannot be found; and (iii) such indemnification as may reasonably be required by the Reorganized Debtors to indemnify Arch, the Reorganized Debtors, the Exchange Agent and all other persons deemed appropriate by the Reorganized Debtors against any loss, action, suit or other claim whatsoever that may be made as a result of such holder's receipt of a distribution on account of such Subordinated Note under this Plan.

2. Holders of Allowed Class 6 Claims other than the Subordinated Noteholder Claims. On the Effective Date, the Exchange Agent shall distribute to each holder of an Effective Date Allowed Claim other than a Subordinated Noteholder Claim its Class 6 Pro Rata Share of the Creditor Stock Pool. Thereafter, on each Semi-Annual Distribution Date, distributions of a holder's Pro Rata Share of the Creditor Stock Pool shall be made to each holder of a Class 6 Claim other than a Subordinated Noteholder Claim whose Claim has been Allowed (as certified by the Estate Representative to the Exchange Agent) since the preceding Semi-Annual Distribution Date (or, with respect to the first Semi-Annual Distribution Date, since the Effective Date). Final distributions of Arch Common Shares shall be made on the Final Distribution Date to each holder of an Allowed Class 6 Claim other than a Subordinated Noteholder Claim based on its Class 6 Adjusted Pro Rata Share of any shares remaining in the Creditor Stock Pool (subject to Section 2.8(C)(1)(f)).

3. Fractional Interests. The Arch Capital Shares shall be issued and distributed in whole shares, and not in fractional shares. To the extent that any holder would be entitled to a fractional Arch Capital Share but for this provision, such holder shall, at Arch's option, (i) be paid by Reorganized Communications cash in an amount equal to the fraction of said share multiplied by the price of an Arch Capital Share on the Effective Date, or (ii) receive the number of whole shares determined by rounding up to the next whole number of shares. Arch **Participation** Warrants shall be issued and distributed in whole units, and not in fractional units. To the extent that any holder would be entitled to a fractional Arch **Participation** Warrant but for this provision, such holder shall receive the number of whole warrants determined by rounding up **or down** to the next whole number of warrants. For purposes of this Section 4.3(D), holders of

Allowed Claims under or evidenced by the Notes shall, in the case of Notes held in street name, mean the beneficial holders thereof.

E. Undeliverable Distributions.

1. Method of Distribution. All property under this Plan to be distributed by mail shall be sent to the latest mailing address filed of record with the Bankruptcy Court for the party entitled thereto or, if no such mailing address has been so filed, the mailing address reflected in the Schedules or, in the case of the holder of Notes, to the latest mailing address maintained of record by the pertinent indenture trustee or, if no mailing address is maintained of record, to the pertinent indenture trustee.

2. Holding and Investment of Undeliverable Distributions. If any Allowed Claim holder's distribution is returned to the Debtors, Reorganized Debtors, Arch or the Exchange Agent as undeliverable, no further distributions will be made to such holder unless the Debtors, Reorganized Debtors, Arch or the Exchange Agent, as applicable, are notified in writing of such holder's then-current address. Undeliverable distributions will remain in the possession of the Debtors, Reorganized Debtors, Arch or the Exchange Agent, as applicable, pursuant to this Section 4.3(E)(2) until such time as a distribution becomes deliverable. Undeliverable cash will be held in a segregated bank account in the name of the Reorganized Debtors for the benefit of the potential claimants of such funds and, until such time as such cash becomes property of Arch pursuant to Section 4.3(E)(4), such cash will not constitute property of Arch. The Reorganized Debtors will invest any undeliverable cash in a manner consistent with the Reorganized Debtors' investment and deposit practices. Undeliverable shares of newly-issued Arch Common Shares will be held by the Exchange Agent for the benefit of the potential claimants of such securities until the expiration of the time period set forth in Section 4.3(E)(4).

3. After Distributions Become Deliverable. On each Semi-Annual Distribution Date and on the Final Distribution Date, the Debtors, Reorganized Debtors, Arch or the Exchange Agent, as applicable, will make all distributions that have, prior to such date, become deliverable to holders of Allowed Claims. Each such distribution will include, to the extent applicable, dividends or other distributions, if any, that would have been paid in respect of the shares of Arch Common Shares or Arch Class B Common Shares distributed to such holder from the Effective Date through the date of such distribution (without any interest thereon).

4. Undistributed Property. Any property that remains undeliverable to the holders of Allowed Claims as of the later of the Final Distribution Date and the date that is two years after the Effective Date shall be delivered to, and become the property of, Arch.

F. Compliance with Tax Requirements.

1. In connection with this Plan, to the extent applicable, the Reorganized Debtors will comply with all tax withholding and reporting requirements imposed on

them by any governmental unit, and all distributions pursuant to this Plan that may be necessary or appropriate to comply with such withholding and reporting requirements.

2. Notwithstanding any other provision of this Plan, each entity that has received any distribution pursuant to this Plan will have sole and exclusive responsibility for the satisfaction and payment of any tax obligation imposed by any governmental unit, including income, withholding and other tax obligations, on account of such distribution.

4.4 Procedure For Determination of Claims and Interests.

A. Bar Date For Administrative Claims.

1. All applications for compensation of professional persons employed by the Debtors or the Committee pursuant to orders entered by the Bankruptcy Court and on account of services rendered prior to the Confirmation Date and all other requests for payment of administrative costs and expenses incurred prior to the Confirmation Date pursuant to sections 507(a)(1) or 503(b) of the Code (except for claims for taxes, trade debt and customer deposits and credits incurred in the ordinary course of business after the Petition Date) shall be served on the Reorganized Debtors, the DIP Agent, the Pre-Petition Agent, the Committee and Arch, and filed with the Bankruptcy Court, no later than 15 days after the Confirmation Date. Any such claim that is not filed and served within this time shall be forever barred. Objections to any such application must be filed within 15 days after receipt thereof; provided, that Arch shall have no right to object to any such application for professional fees. From and after the hearing on such applications, the Debtors (or the Reorganized Debtors if the hearing is after the Effective Date) shall be authorized to pay all of its and the Committee's professionals in full based on monthly statements delivered to the Debtors subject to the final hearing described in Section 4.4(A)(2).

2. All applications for final compensation of professional persons employed by the Debtors or the Committee pursuant to orders entered by the Bankruptcy Court and on account of services rendered on or after the Confirmation Date and prior to the Effective Date and all other requests for payment of administrative costs and expenses incurred on or after the Confirmation Date and prior to the Effective Date pursuant to sections 507(a)(1) or 503(b) of the Code (except for claims for taxes, trade debt and customer deposits and credits incurred in the ordinary course of business after the Petition Date) shall be served on the Reorganized Debtors, the DIP Agent, the Pre-Petition Agent, the Committee and Arch, and filed with the Bankruptcy Court, no later than 15 days after the Effective Date. Any such claim that is not served and filed within this time shall be forever barred. Objections to any such application must be filed within 15 days after receipt thereof; provided, that Arch shall have no right to object to any such application for professional fees.

B. Objections To Claims.

1. Objections to any Administrative Claim (other than Administrative Claims governed by Section 4.4(A)) and to any other Claim (other than Class 6

Claims governed by the next sentence of this Section 4.4(B)(1)) must be filed no later than the Effective Date. Objections must be filed no later than the Rights Offering Commencement Date as to any Class 6 Claim other than **(x)** Class 6 Claims relating to the rejection of executory contracts or unexpired leases pursuant to this Plan**, as to which objections must be filed as set forth in Section 3.1 and (y) Class 6 Claims as to which a proof of claim is filed after the Rights Offering Commencement Date, as to which objections must be filed by the Effective Date**. Objections shall be served on the holder of any Claim being objected to and counsel for each of Arch, the Pre-Petition Agent, the DIP Agent and the Committee. No distribution shall be made on account of any Claim that is not Allowed. To the extent any property is distributed to an entity on account of a Claim that is not an Allowed Claim, such property shall be held in trust for and shall promptly be returned to the Reorganized Debtors.

2. On and after the Effective Date, only the Estate Representative shall have authority to continue to prosecute, settle or withdraw objections to Claims. After the Effective Date, the Estate Representative shall be entitled to compromise or settle any Disputed Claim without seeking approval of the Bankruptcy Court. The Estate Representative shall be paid subject to the budget described in Section 4.2(C)(5), but without seeking approval of the Bankruptcy Court.

3. To the extent that a Disputed Claim ultimately becomes an Allowed Claim, payments and distributions on account of such Allowed Claim shall be made in accordance with the provisions of this Plan governing the Class of Claims to which such Claim belongs. As soon as practicable after the date that the order or judgment of the Bankruptcy Court allowing such Claim becomes a Final Order, any property that would have been distributed prior to the date on which a Disputed Claim becomes an Allowed Claim shall be distributed, together with any dividends, payments or other distributions made on account of such property from the date such distributions would have been due had such Claim then been an Allowed Claim to the date such distributions are made (without any interest thereon).

4.5 Issuance of Arch Capital Shares. On and as of the Effective Date, Arch will issue the Arch Common Shares and, if applicable pursuant to Section 4.3(C), Arch Class B Common Shares to be distributed to the holders of Allowed Class 6 Claims, to all persons that exercised Rights and, if applicable, the Standby Purchasers.

4.6 Issuance of Warrants. On and as of the Effective Date, Arch will issue~~, as applicable, the Arch Warrants or~~ the Arch Participation Warrants, as contemplated by this Plan, ~~the Rights,~~ the Standby Purchase ~~Commitment~~ **Commitments** and the Merger Agreement.

4.7 Issuance of Rights. On and as of the Rights Offering Commencement Date, Arch will issue the Rights, as contemplated by this Plan and the Merger Agreement. On and as of the Arch Stockholder Rights Offering Commencement Date, Arch will issue the Arch Stockholder Rights, as contemplated by this Plan and the Merger Agreement.

4.8 Exemption from Securities Laws. All notes, instruments, stock and other securities distributed pursuant to this Plan (other than the Rights and the Units) are entitled to the benefits and exemptions provided by section 1145 of the Code.

4.9 Registration Rights Agreement. Each Person (other than the Standby Purchasers) that, as a result of the transactions contemplated by this Plan, becomes the beneficial owner (within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934) of at least 10% of the outstanding Arch Capital Shares, shall be entitled to become a party to the Registration Rights Agreement.

4.10 Effectuating Documents; Further Transactions; Exemption From Certain Transfer Taxes. The Chief Executive Officer, President, Chief Financial Officer or any Vice President of Reorganized Communications or the Debtors, or such other persons as the Bankruptcy Court may designate at the request of the Debtors, will be authorized to execute, deliver, file or record such contracts, instruments, releases, indentures and other agreements or documents and take such actions as may be necessary or appropriate to effectuate and implement the provisions of this Plan. The Secretary or any Assistant Secretary of each Debtor or the Reorganized Debtors or such other persons as the Bankruptcy Court may designate at the request of the Debtors will be authorized to certify or attest to any of the foregoing actions.

Pursuant to section 1146(c) of the Code (a) the issuance, transfer or exchange of Arch Capital Shares, (b) the creation of any mortgage deed or trust or other security interest and (c) the making of any agreement or instrument in furtherance of, or in connection with, this Plan, including any merger agreements, agreements of consolidation, restructuring, disposition, liquidation or dissolution, deeds, bills of sale, or assignments executed in connection with the Merger Agreement, will not be subject to any stamp, real estate transfer tax or similar tax.

4.11 Release of Security Interests. Within ten Business Days after the Confirmation Date, the Pre-Petition Agent shall deliver to Communications UCC-3 termination statements and such other documents as are reasonably requested by Communications to evidence the termination of the security interests granted to the Pre-Petition Agent to secure amounts outstanding under the 1995 Credit Agreement, which statements and other documents shall be held by Communications in escrow and released for filing only upon receipt by the Pre-Petition Agent of the distribution provided for in Section 4.3(A).

ARTICLE V
CONDITIONS TO EFFECTIVE DATE

5.1 Conditions to Occurrence of Effective Date. Each of the following is a condition to the Effective Date:

A. That the Confirmation Order has been entered by the Bankruptcy Court, more than ten (10) days have elapsed since the Confirmation Date, no stay of the

Confirmation Order is in effect and the Confirmation Order has not been reversed, modified or vacated;

B. That all conditions to the Closing under the Merger Agreement (other than the condition set forth in Section 5.1(j) of the Merger Agreement) have been satisfied or waived by the party entitled thereto, and the Merger shall occur as contemplated by Section 4.2(B)(ii); and

C. The commitments under the DIP Credit Agreement shall have terminated, all amounts owing under or in respect of the DIP Credit Agreement shall have been paid in full in cash and any outstanding letters of credit issued under and in connection with the DIP Credit Agreement or the 1995 Credit Agreement shall have been terminated or satisfied, or the Debtors shall have provided cash collateral therefor in accordance with the terms of the DIP Credit Agreement or the 1995 Credit Agreement, as applicable.

5.2 Effect of Non-occurrence of Conditions to the Effective Date. If the Merger Agreement is terminated in accordance with its terms, then the Confirmation Order shall be vacated by the Bankruptcy Court unless the Debtors, Arch or the Committee files a motion opposing the vacation of the Confirmation Order within ten Business Days after termination of the Merger Agreement. The Confirmation Order may not be vacated after all the conditions to the Effective Date have either occurred or been waived.

5.3 Non-consensual Confirmation. Because Classes 7, 8 and 9 are deemed not to have accepted this Plan pursuant to section 1126(g) of the Code, as to such Classes and any other Class that votes to reject this Plan, the Debtors are seeking confirmation of this Plan in accordance with section 1129(b) of the Code either under the terms provided herein or upon such terms as may exist if this Plan is modified in accordance with section 1127(d) of the Code. In the event Class 4 votes to reject this Plan, the Debtors, the Committee and Arch each reserves the right to contest all or any portion of the amount of the Allowed Class 4 Claims as set forth in Section 2.6(B).

ARTICLE VI
DISCHARGE, TERMINATION, INJUNCTION AND SUBORDINATION RIGHTS

6.1 Discharge of Claims and Termination of Interests.

A. Except as provided in the Confirmation Order, the rights afforded under this Plan and the treatment of Claims and Interests under this Plan will be in exchange for and in complete satisfaction, discharge and release of all Claims and satisfaction or termination of all Interests, including any interest accrued on Claims from the Petition Date. Except as provided in this Plan or the Confirmation Order, Confirmation will, as of the Effective Date: (i) discharge the Debtors from all Claims or other debts that arose before the Effective Date, and all debts of the kind specified in sections 502(g), 502(h) or 502(i) of the Code, whether or not (x) a proof of claim based on such debt is filed or deemed filed pursuant to section 501 of the Code, (y) a Claim based on such debt is allowed pursuant to section 502 of the Code, or (z) the holder of a Claim based on such debt has accepted this Plan and (ii) satisfy or terminate all Interests and other rights of equity security holders in the Debtors.

B. As of the Effective Date, except as provided in this Plan or the Confirmation Order, all entities will be precluded from asserting against the Debtors or the Reorganized Debtors, or their respective successors or property, any other or further Claims, demands, debts, rights, causes of action, liabilities or equity interests based upon any act, omission, transaction or other activity of any kind or nature that occurred prior to the Effective Date. In accordance with the foregoing, except as provided in this Plan or the Confirmation Order, the Confirmation Order will be a judicial determination, as of the Effective Date, of discharge of all such Claims and other debts and liabilities against the Debtors and satisfaction or termination of all Interests and other rights of equity security holders in the Debtors, pursuant to sections 524 and 1141 of the Bankruptcy Code, and such discharge will void any judgment obtained against the Debtors or the Reorganized Debtors at any time, to the extent that such judgment relates to a discharged Claim.

6.2 Injunctions.

A. Except as provided in this Plan or the Confirmation Order, as of the Effective Date, all entities that have held, currently hold or may hold a Claim or other debt or liability that is discharged or an Interest or other right of an equity security holder that is terminated pursuant to the terms of this Plan are permanently enjoined from taking any of the following actions on account of any such discharged Claims, debts or liabilities or terminated Interests or rights: (i) commencing or continuing in any manner any action or other proceeding against the Debtors or the Reorganized Debtors or Arch or its subsidiaries or their respective property; (ii) enforcing, attaching, collecting or recovering in any manner any judgment, award, decree or order against the Debtors or the Reorganized Debtors or Arch or its subsidiaries or their respective property; (iii) creating, perfecting or enforcing any lien or encumbrance against the Debtors or the Reorganized Debtors or Arch or its subsidiaries or their respective property; (iv) asserting a setoff, right of subrogation or recoupment of any kind against any debt, liability or obligation due to the Debtors or the Reorganized Debtors or Arch or its subsidiaries or their respective property; and (v) commencing or continuing any action, in any manner, in any place that does not comply with or is inconsistent with the provisions of this Plan.

B. As of the Effective Date, all entities that have held, currently hold or may hold a claim, demand, debt, right, cause of action or liability that is released pursuant to this Plan are permanently enjoined from taking any of the following actions on account of such released claims, demands, debts, rights, causes of action or liabilities: (i) commencing or continuing in any manner any action or other proceeding; (ii) enforcing, attaching, collecting or recovering in any manner any judgment, award, decree or order; (iii) creating, perfecting or enforcing any lien or encumbrance; (iv) asserting a setoff, right of subrogation or recoupment of any kind against any debt, liability or obligation due to any released entity; and (v) commencing or continuing any action, in any manner, in any place that does not comply with or is inconsistent with the provisions of this Plan.

C. By accepting a distribution pursuant to this Plan, each holder of an Allowed Claim receiving such distribution pursuant to this Plan will be deemed to have specifically consented to the injunctions set forth in this Section 6.2.

6.3 Termination of Subordination Rights and Settlement of Related Claims and Controversies.

A. The classification and manner of satisfying all Claims and Interests under this Plan takes into consideration all contractual, legal and equitable subordination and turnover rights, whether arising under general principles of equitable subordination, section 510(c) of the Code or otherwise, that a holder of a Claim or Interest or the Debtors may have against other Claim holders with respect to any distribution made pursuant to this Plan. On the Effective Date, all contractual, legal, equitable subordination and turnover rights that a holder of a Claim or Interest or the Debtors may have with respect to any distribution to be made pursuant to this Plan will be discharged and terminated, and all actions related to the enforcement of such subordination rights will be permanently enjoined. Accordingly, distributions pursuant to this Plan to holders of Allowed Claims will not be subject to payment to a beneficiary of such terminated subordination rights, or to levy, garnishment, attachment or other legal process by a beneficiary of such terminated subordination rights.

B. Pursuant to Bankruptcy Rule 9019 and in consideration for the distributions and other benefits provided under this Plan, the provisions of this Plan will constitute a good faith compromise and settlement of all claims or controversies relating to the enforcement or termination of all contractual, legal and equitable subordination and turnover rights that a holder of a Claim or Interest or the Debtors may have with respect to any Allowed Claim or Interest, or any distribution to be made pursuant to this Plan on account of such Claim. The entry of the Confirmation Order will constitute the Bankruptcy Court's approval of the compromise or settlement of all such claims or controversies and the Bankruptcy Court's finding that such compromise or settlement is in the best interests of the Debtors and the Reorganized Debtors and their respective property and Claim and Interest holders, and is fair, equitable and reasonable.

ARTICLE VII
MISCELLANEOUS

7.1 Retention of Jurisdiction. Following the Effective Date, the Bankruptcy Court shall retain such jurisdiction as is set forth in this Plan. Without in any manner limiting the scope of the foregoing, the Bankruptcy Court shall retain jurisdiction for the following purposes:

A. To determine the allowability, classification, priority or subordination of Claims and Interests upon objection, or to estimate, pursuant to section 502(c) of the Code, the amount of any Claim that is or is anticipated to be contingent or unliquidated as of the Effective Date, or to hear proceedings to subordinate Claims or Interests brought by any party in interest with standing to bring such objection or proceeding;

B. To construe and to take any action authorized by the Code and requested by the Reorganized Debtors or any other party in interest to enforce this Plan and the documents and agreements filed in connection with this Plan, issue such orders as may be necessary for the implementation, execution and consummation of this Plan, including, without limiting the generality of the foregoing, orders to expedite regulatory decisions for the implementation of this Plan and to ensure conformity with the terms and conditions of this Plan, such documents and agreements and other orders of the Bankruptcy Court, notwithstanding any otherwise applicable non-bankruptcy law;

C. To determine any and all applications for allowance of compensation and expense reimbursement of professionals retained by the Debtors, the Reorganized Debtors or the Committee, and for members of the Committee, for periods on or before the Effective Date, and to determine any other request for payment of administrative expenses;

D. To determine all matters that may be pending before the Bankruptcy Court on or before the Effective Date;

E. To resolve any dispute regarding the implementation or interpretation of this Plan, the Merger Agreement or any related agreement or document that arises at any time before the Cases are closed, including determination, to the extent a dispute arises, of the entities entitled to a distribution within any particular Class of Claims and of the scope and nature of the Reorganized Debtors' obligations to cure defaults under assumed contracts, leases, franchises and permits;

F. To determine any and all applications pending on the Confirmation Date for the rejection, assumption or assignment of executory contracts or unexpired leases entered into prior to the Petition Date, and the allowance of any Claim resulting therefrom;

G. To determine all applications, adversary proceedings, contested matters and other litigated matters that were brought or that could have been brought on or before the Effective Date;

H. To determine matters concerning local, state and federal taxes in accordance with sections 346, 505 and 1146 of the Code, and to determine any tax claims that may arise against the Debtors or Reorganized Debtors as a result of the transactions contemplated by this Plan;

I. To resolve any dispute arising out of actions taken by the Estate Representative;

J. To modify this Plan pursuant to section 1127 of the Code, or to remedy any apparent nonmaterial defect or omission in this Plan, or to reconcile any nonmaterial inconsistency in this Plan so as to carry out its intent and purposes; and

K. For such other purposes as may be provided for in the Confirmation Order.

Prior to the Effective Date, the Bankruptcy Court shall retain jurisdiction with respect to each of the foregoing items and all other matters that were subject to its jurisdiction prior to the Confirmation Date.

7.2 Retention and Enforcement Of Causes Of Action. Pursuant to section 1123(b)(3)(B) of the Code, but subject to Sections 7.3 and 7.4 of this Plan, the Reorganized Debtors, on behalf of themselves and holders of Allowed Claims and Interests, shall retain all Causes of Action that the Debtors had or had power to assert immediately prior to the Effective Date, and may commence or continue in any appropriate court or tribunal any suit or other proceeding for the enforcement of such Causes of Action. All Causes of Action shall remain the property of the Reorganized Debtors. Nothing contained in this Plan shall constitute a waiver of the rights, if any, of the Debtors or the Reorganized Debtors to a jury trial with respect to any Cause of Action or objection to any Claim or Interest.

7.3 Limitation of Liability. None of the Debtors, the Reorganized Debtors, Arch or any affiliate thereof, the Committee, the Pre-Petition Agent, the Pre-Petition Lenders, the DIP Agent, the DIP Lenders, the Standby Purchasers, the indenture trustees for the Notes, Arch's financing sources, nor any of their respective officers, directors, employees, members, agents, underwriters or investment bankers, nor any other professional Persons employed by any of them (collectively, the "Exculpated Persons"), shall have or incur any liability to any Person for any act taken or omission made in good faith in connection with or related to formulating, negotiating, implementing, confirming or consummating this Plan, the Disclosure Statement or any contract, instrument, release or other agreement or document created in connection with this Plan. The Exculpated Persons shall have no liability to any Debtor, holder of a Claim, holder of an Interest, other party in interest in the Cases or any other Person for actions taken or not taken under this Plan, in connection herewith or with respect hereto, or arising out of their administration of this Plan or the property to be distributed under this Plan, in good faith, including, without limitation, failure to obtain Confirmation of this Plan or to satisfy any condition or conditions, or refusal to waive any condition or conditions, to the occurrence of the Effective Date, and in all respects such Exculpated Persons shall be entitled to rely upon the advice of counsel with respect to their duties and responsibilities under this Plan.

7.4 Releases.

A. On the Effective Date, the Reorganized Debtors, on their own behalf and as representatives of the Debtors' estates, in consideration of services rendered in the Cases and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, release unconditionally, and are deemed to release unconditionally, each of the Debtors' (1) present officers and directors, (2) former officers and directors (other than those former officers and directors considered or determined as of the Effective Date by the FCC to be alleged or actual wrongdoers for purposes of the FCC Proceeding), (3) the entities that elected such directors to the extent they are or may be liable for the actions or inactions of such directors and (4) their respective professional advisers (collectively, the "Officer and Director Releasees"), from any and all claims, obligations, suits, judgments, damages, rights, causes of action and liabilities whatsoever (including, without limitation, those arising under the Code), whether known or unknown, foreseen or unforeseen, existing or hereafter arising, in law, equity or otherwise, based in whole or in part on any act, omission, transaction, event or other occurrence taking place before, on or after the Petition Date up to the Effective Date, in any way relating to the Debtors (before, on or after the Petition Date), the Cases or this Plan (collectively, the "Released Matters"); provided, that the foregoing release shall not apply to any action or omission that constitutes actual fraud or criminal behavior; and provided, further, that such release shall not be granted to any Officer or Director Releasee who has a Disputed Claim as of the Effective Date.

B. On the Effective Date, the Reorganized Debtors, on their own behalf and as representatives of the Debtors' estates, in consideration of services rendered in the Cases and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, release unconditionally, and are deemed to release unconditionally, each of (1) the Pre-Petition Lenders, the Pre-Petition Agent, the DIP Lenders and the DIP Agent and (2) their respective professional advisers (collectively, the "Lender Releasees"), from the Released Matters; provided, that the foregoing release shall not apply to any action or omission that constitutes actual fraud or criminal behavior.

C. On the Effective Date, the Reorganized Debtors, on their own behalf and as representatives of the Debtors' estates, in consideration of services rendered in the Cases and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, release unconditionally, and are deemed to release unconditionally, (1) each member of the Committee, the Committee and their respective present or former members, officers, directors, employees, affiliates, advisors, attorneys or agents (collectively, the "Representatives"), (2) the Standby Purchasers and their Representatives, and (3) their respective professional advisers (collectively, the "Creditor Releasees"), from the Released Matters; provided, that the foregoing release shall not apply to any action or omission that constitutes actual fraud or criminal behavior.

D. On the Effective Date, the Reorganized Debtors, on their own behalf and as representatives of the Debtors' estates, in consideration of services rendered in the Cases and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, release unconditionally, and are deemed to release unconditionally, Arch, any affiliate of Arch, or Arch's financing sources, agents, underwriters and investment bankers and their respective professional advisers (collectively, the "Arch Releasees") from the Released Matters; provided, that the foregoing release shall not apply to any action or omission that constitutes actual fraud or criminal behavior.

E. On the Effective Date, Arch and its subsidiaries shall be deemed to have unconditionally released the Officer and Director Releasees, the Lender Releasees and the Creditor Releasees from the Released Matters; provided, that the foregoing release shall not apply to any action or omission that constitutes actual fraud or criminal behavior; and provided, further, that such release shall not be granted to any Officer or Director Releasee who has a Disputed Claim as of the Effective Date.

F. On the Effective Date, each holder of a Claim that is entitled to vote on this Plan shall be deemed to have unconditionally released the Officer and Director Releasees, the Lender Releasees, the Creditor Releasees and the Arch Releasees from the Released Matters; provided, that the foregoing release shall not apply to any action or omission that constitutes actual fraud or criminal behavior and shall not constitute a release of any recovery such holder would be entitled to as a plaintiff or putative plaintiff in the Securities Actions or any action initiated after the date hereof based upon similar factual allegations or alleging similar causes of action to the Securities Actions; and provided, further, that a holder (other than Arch) may elect, by checking the appropriate box or boxes provided on the Ballot, not to grant such release as to the Officer and Director Releasees, the Lender Releasees, the Creditor Releasees or the Arch Releasees, or all of them.

G. The Confirmation Order shall contain a permanent injunction to effectuate the releases granted in the foregoing Sections 7.4(A), (B), (C), (D), (E) and (F). Any release granted pursuant to the foregoing Sections 7.4(A), (B), (C), (D), (E) and (F) shall be ineffective and null and void automatically and immediately upon the assertion by any released party of any claim in any manner or in any forum against any party that granted the release, and all Causes of Action that the Debtors had or had the power to assert immediately prior to the Effective Date with respect to any such party shall be preserved and become the property of the Reorganized Debtors pursuant to Section 7.2.

7.5 Indemnification Obligations; Directors' and Officers' Liability Insurance.

A. Director Indemnification Obligations and Excluded Indemnification Obligations shall be deemed to be, and shall be treated as if they are, executory contracts that are rejected pursuant to section 365 of the Code. Any Claims arising out of the rejection of the Indemnification Obligations pursuant to this Section 7.5(A) shall be subordinated in full under sections 510(b) and 510(c) of the Code.

B. Benefit Plan Indemnification Obligations and Indemnification Obligations with respect to officers and employees who are officers and employees of the Debtors as of the Effective Date (other than Excluded Indemnification Obligations) shall be deemed to be, and shall be treated as though they are, executory contracts that are assumed agreements under this Plan and such obligations (subject to any defenses thereto) shall remain unaffected and shall not be discharged or impaired hereby, and any Claim for indemnification filed by any such party shall not be an Allowed Claim hereunder; provided, that the foregoing assumption shall not affect any release of any such obligation given in writing to the Debtors before the Effective Date or to the Reorganized Debtors on or after the Effective Date or any other releases under Section 7.4.

C. On the Effective Date, the Reorganized Debtors shall purchase a "run-off" policy for the Debtors' current and former directors and officers (other than those former officers and directors considered or determined as of the Effective Date by the FCC to be alleged or actual wrongdoers for purposes of the FCC Proceeding), which policy shall provide for aggregate coverage up to $40 million (or such lesser amount as can be purchased for a premium of $750,000) for claims made during a period of at least three (3) years following the Effective Date based on alleged "wrongful acts" through the Effective Date, and shall contain such other usual and customary terms and conditions as are approved by the Board of Directors of MobileMedia.

D. As of the Effective Date, Arch shall make available up to an aggregate amount of $1,000,000 (the "Defense Fund") to be used by present and former officers and directors (other than those former officers and directors considered or determined as of the Effective Date by the FCC to be alleged or actual wrongdoers for purposes of the FCC Proceeding) of the Debtors solely for the costs and expenses (including reasonable attorneys' fees and expenses) of defending the Securities Actions not otherwise covered by the Debtors' insurance. The Defense Fund is being provided by Arch at its election and not in exchange for any Claim or Interest by any officer or director. Provision of the Defense Fund hereunder shall not negate, constitute a waiver or modification of or otherwise impair the discharge of the Debtors and the Reorganized Debtors under sections 524 and 1141 of the Code and this Plan. As a condition to any officer or director obtaining amounts from the Defense Fund, such officer or director shall deliver to Arch, at Arch's request, a release, in form and substance reasonably acceptable to Arch, confirming the unconditional release and discharge of the Arch Releasees and the Reorganized Debtors from the Released Matters. Any officer or director shall be required to reimburse Arch for any amounts obtained from the Defense Fund that are subsequently covered by insurance.

7.6 Terms Binding. Upon the entry of the Confirmation Order, all provisions of this Plan, including all agreements, instruments and other documents filed in connection with this Plan and executed by the Debtors, Arch or the Reorganized Debtors in connection with this Plan, shall be binding upon the Debtors, Arch, the Reorganized Debtors, all Claim and Interest holders and all other entities that are affected in any manner by this Plan. All agreements, instruments and other documents filed in connection with this Plan shall have full force and effect, and shall bind all parties thereto as of the entry of the Confirmation Order, whether or not such exhibits actually shall be executed by parties other than the Debtors or the Reorganized Debtors, or shall be issued, delivered or recorded on the Effective Date or thereafter.

7.7 Additional Terms of Securities and Other Instruments. Any modification of the Merger Agreement, the ~~Arch Warrants,~~ Arch Common Shares and Arch Class B Common Shares, and all other securities or agreements issued or entered into pursuant to this Plan after the Voting Deadline, shall be treated as a Plan modification and shall be governed by section 1127 of the Code.

7.8 Post-Consummation Effect of Evidences of Claims or Interests. Notes, stock certificates and other evidence of Claims against or Interests in the Debtors shall, effective on the Effective Date, represent only the right to participate in the distributions contemplated by this Plan.

7.9 Payment Dates. Whenever any payment to be made under this Plan is due on a day other than a Business Day, such payment shall instead be made, without interest, on the next succeeding Business Day.

7.10 Successors and Assigns. The rights, benefits and obligations of any person named or referred to in this Plan shall be binding upon, and shall inure to the benefit of, the heir, executor, administrator, successor or assignee of such person.

7.11 Inconsistencies. In the event that there is any inconsistency between this Plan and the Disclosure Statement, any exhibit to this Plan or any other instrument or document created or executed pursuant to this Plan, this Plan shall govern.

7.12 Compliance with Applicable Law. It is intended that the provisions of this Plan (including the implementation thereof) shall be in compliance with applicable law, including, without limitation, the Code, the Delaware General Corporation Law, as amended, the Communications Act of 1934, as amended, the Securities Act of 1933, as amended, and the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, as well as, in each case, any rules and regulations promulgated thereunder. If the Debtors shall conclude that this Plan may not comply with any of the foregoing, then and in such event the Debtors intend to amend this Plan in such respects as they deem necessary to bring this Plan into compliance therewith.

7.13 Governing Law. Except to the extent that the Code or any other federal law is applicable or to the extent the law of a different jurisdiction is validly elected by the Debtors, the rights, duties and obligations arising under this Plan shall be governed in accordance with the substantive laws of the United States of America and, to the extent federal law is not applicable, the laws of the State of Delaware.

7.14 Severability. If the Bankruptcy Court determines at the Confirmation Hearing that any material provision of this Plan is invalid or unenforceable, such provision, to the extent the Debtors, Arch and the Committee agree, but subject to section 1127 of the Code, shall be severable from this Plan and null and void, and, in such event, such determination shall in no way limit or affect the enforceability or operative effect of any or all other portions of this Plan.

7.15 Incorporation by Reference. Each Exhibit or Schedule hereto is incorporated herein by reference.

MOBILEMEDIA COMMUNICATIONS, INC.
MOBILEMEDIA CORPORATION
MOBILEMEDIA COMMUNICATIONS, INC. (CALIFORNIA)
MOBILEMEDIA DP PROPERTIES, INC.
MOBILEMEDIA PCS, INC.
DIAL PAGE SOUTHEAST, INC.
RADIO CALL COMPANY OF VA. INC.
MOBILEMEDIA PAGING, INC.
MOBILE COMMUNICATIONS CORPORATION OF AMERICA
MOBILECOMM OF THE SOUTHEAST, INC.
MOBILECOMM OF THE NORTHEAST, INC.
MOBILECOMM NATIONWIDE OPERATIONS, INC.
MOBILECOMM OF TENNESSEE, INC.
MOBILECOMM OF THE SOUTHEAST PRIVATE CARRIER OPERATIONS, INC.
MOBILECOMM OF THE SOUTHWEST, INC.
MOBILECOMM OF FLORIDA, INC.
MOBILECOMM OF THE MIDSOUTH, INC.
FWS RADIO, INC.
MOBILECOMM OF THE WEST, INC.

Debtors and Debtors-in-Possession

By:______________________________________
Joseph A. Bondi
Chairman-Restructuring of
MobileMedia Corporation

J. Ronald Trost
James D. Johnson
Shelley C. Chapman
Lee M. Stein
SIDLEY & AUSTIN
875 Third Avenue
New York, New York 10022
(212) 906-2000

James L. Patton, Jr. (No. 2202)
Joel A. Waite (No. 2925)
YOUNG CONAWAY STARGATT & TAYLOR, LLP
11th Floor - Rodney Square North
P.O. Box 391
Wilmington, Delaware 19899
(302) 571-6600

COUNSEL TO DEBTORS AND DEBTORS-IN-POSSESSION

------------------ COMPARISON OF FOOTNOTES ------------------

-FOOTNOTE ~~1~~ -

~~fraction of an Arch Warrant that will be included in each Unit will equal the fraction obtained by dividing (i) the total number of Arch Warrants purchasable upon exercise of Rights by (ii) the total number of Arch Capital Shares purchasable upon exercise of Rights (which will be determined based on the pricing mechanism set forth in Schedule II to the Merger Agreement).~~

------------------ COMPARISON OF FOOTERS ------------------

:ODMA\PCDOCS\NEWYORK\34766\~~19~~ 21

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
	)	
MobileMedia Communications,	)	Case No. 97-174 (PJW)
Inc., et al.,	)	
	)	(Jointly Administered)
Debtors.	)	

DISCLOSURE STATEMENT TO DEBTORS' ~~SECOND~~ THIRD AMENDED JOINT PLAN OF REORGANIZATION

~~September 18~~ December 3, 1998

J. Ronald Trost
James D. Johnson
Shelley C. Chapman
Lee M. Stein
SIDLEY & AUSTIN
875 Third Avenue
New York, New York 10022
(212) 906-2000

James L. Patton, Jr. (No. 2202)
Joel A. Waite (No. 2925)
YOUNG CONAWAY STARGATT
& TAYLOR, LLP
11th Floor - Rodney Square North
P.O. Box 391
Wilmington, Delaware 19899
(302) 571-6600

Co-Counsel to Debtors and
Debtors-in-Possession

Submitted by: MOBILEMEDIA COMMUNICATIONS, INC.,
MOBILEMEDIA CORPORATION,
MOBILEMEDIA COMMUNICATIONS, INC. (CALIFORNIA),
MOBILEMEDIA DP PROPERTIES, INC.
MOBILEMEDIA PCS, INC.,
DIAL PAGE SOUTHEAST, INC.,
RADIO CALL COMPANY OF VA., INC.,
MOBILEMEDIA PAGING, INC.,
MOBILE COMMUNICATIONS CORPORATION OF AMERICA,
MOBILECOMM OF THE SOUTHEAST, INC.,
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MOBILECOMM OF THE SOUTHWEST, INC.,
MOBILECOMM OF FLORIDA, INC.,
MOBILECOMM OF THE MIDSOUTH, INC.,
FWS RADIO, INC.,
MOBILECOMM OF THE WEST, INC.,

Debtors and Debtors-in-Possession

NOTICE

11 U.S.C. § 1125(b) PROHIBITS THE SOLICITATION OF AN ACCEPTANCE OR REJECTION OF A PLAN OF REORGANIZATION FROM A HOLDER OF A CLAIM OR INTEREST WITH RESPECT TO SUCH CLAIM OR INTEREST UNLESS, AT THE TIME OF OR BEFORE SUCH SOLICITATION, THERE IS TRANSMITTED TO SUCH HOLDER SUCH PLAN OR A SUMMARY OF SUCH PLAN AND A WRITTEN DISCLOSURE STATEMENT APPROVED, AFTER NOTICE AND HEARING, BY THE BANKRUPTCY COURT AS CONTAINING ADEQUATE INFORMATION.

[THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED OR DISAPPROVED BY THE BANKRUPTCY COURT.] THIS DISCLOSURE STATEMENT HAS NOT BEEN APPROVED OR DISAPPROVED BY, AND THE SECURITIES OFFERED HEREBY HAVE NOT BEEN REGISTERED WITH OR APPROVED OR RECOMMENDED BY, THE SECURITIES AND EXCHANGE COMMISSION (THE "SEC") OR ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE, NOR HAS THE SEC OR ANY STATE SECURITIES REGULATORY AUTHORITY PASSED UPON THE ACCURACY OR ADEQUACY OF THIS DISCLOSURE STATEMENT OR THE STATEMENTS OR INFORMATION CONTAINED HEREIN. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE DEBTORS' PLAN OF REORGANIZATION CONTEMPLATES A MERGER OF THE DEBTORS WITH A SUBSIDIARY OF ARCH COMMUNICATIONS GROUP, INC. ("ARCH"). ANYTHING HEREIN TO THE CONTRARY NOTWITHSTANDING, THIS DISCLOSURE STATEMENT AND THE STATEMENTS AND INFORMATION CONTAINED HEREIN DO NOT CONSTITUTE AND SHALL NOT BE DEEMED TO CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY OR A PROSPECTUS OR OTHER OFFERING DOCUMENT RELATING TO (I) THE **VARIOUS** SUBSCRIPTION RIGHTS OF ARCH ~~COMMUNICATIONS GROUP, INC. ("ARCH")~~ REFERRED TO HEREIN THAT ARE BEING OFFERED TO THE DEBTORS' UNSECURED CREDITORS AND **TO ARCH'S EXISTING SHAREHOLDERS, (II) THE ARCH COMMON SHARES OR**, IN CERTAIN CIRCUMSTANCES, ~~TO ARCH'S EXISTING SHAREHOLDERS, (II) THE ARCH COMMON SHARES,~~ ARCH CLASS B COMMON SHARES ~~OR THE ARCH WARRANTS, IF APPLICABLE,~~ ISSUABLE BY ARCH UPON EXERCISE OF SUCH SUBSCRIPTION RIGHTS, (III) **CERTAIN WARRANTS THAT MAY BE ISSUED BY ARCH OR (IV)** THE ARCH COMMON SHARES ISSUABLE BY ARCH UPON EXERCISE OF SUCH ~~ARCH WARRANTS, (IV) CERTAIN OTHER WARRANTS THAT MAY BE ISSUED BY ARCH OR (V) THE ARCH COMMON SHARES ISSUABLE BY ARCH UPON EXERCISE OF SUCH~~ WARRANTS, EACH IN CONNECTION WITH THE ~~SECOND~~ **THIRD** AMENDED JOINT PLAN OF REORGANIZATION ATTACHED HERETO AND DATED AS OF ~~SEPTEMBER 3~~ **DECEMBER 1**, 1998. ANY SUCH OFFER SHALL BE MADE ONLY BY A PROSPECTUS FILED AS PART OF A

REGISTRATION STATEMENT FILED BY ARCH WITH THE SEC.

FORWARD-LOOKING STATEMENTS

This Disclosure Statement contains forward-looking statements that are made pursuant to the safe harbor provisions of 11 U.S.C. § 1125 and of the Private Securities Litigation Reform Act of 1995. Any statements contained herein (including, without limitation, statements to the effect that Arch, the Debtors or their respective managements or boards of directors "believe", "expect". "anticipate", "plan" and similar expressions) that are not statements of historical fact should be considered forward-looking statements. A number of important factors could cause actual results to differ materially from those expressed in any forward-looking statements made by, or on behalf of, Arch, the Debtors, or their respective managements or boards of directors. Achieving the anticipated benefits of the ~~Merger and the Reorganization~~ **contemplated merger** will depend in significant part upon whether the integration of the ~~two~~ companies' businesses is accomplished in an efficient manner, and there can be no assurance that this will occur. The combination of the companies will require, among other things, coordination of administrative, sales and marketing, distribution, and accounting and finance functions and expansion of information and management systems. The integration process could divert the attention of management, and any difficulties or problems encountered in the transition process could have a material adverse effect on the Combined Company following the Merger. In addition, the process of combining the companies could cause the interruption of, or a loss of momentum in, the activities of the respective businesses, which could also have a material adverse effect on the Combined Company. The difficulty of combining the businesses may be increased by the need to integrate personnel and the geographic distance separating the organizations. There can be no assurance that Arch will retain key employees or that Arch will realize any of the other anticipated benefits of the Merger.

The unaudited Combined Company projections attached hereto as Exhibit E (the "Combined Company Projections") have been prepared jointly by Arch and the Debtors as a projection of possible future results based upon the assumptions set forth therein, and are dependent on many factors over which neither Arch nor the Debtors have any control. No assurance can be given that any of the assumptions on which the projections are based will prove to be correct. The Combined Company Projections were not prepared with a view to public disclosure or in compliance with (i) published guidelines of the SEC, (ii) the guidelines established by the American Institute of Certified Public Accountants regarding projections or (iii) GAAP. Arthur Andersen LLP, the independent public accountants for Arch, has neither compiled nor examined such projections and, accordingly, does not express any opinion or any other form of assurance with respect to, assumes no responsibility for and disclaims any association with, such projections. Ernst & Young LLP, the independent auditors for the Debtors, has neither compiled nor examined such projections and, accordingly, does not express any opinion or any other form of assurance with respect to, assumes no responsibility for and disclaims any association with, such projections. While presented with numerical specificity, such projections are based upon a variety of assumptions, which may not be realized, relating to the future business and operations of Arch and the Debtors and the integration of their operations and are subject to significant uncertainties and contingencies, all of which are difficult to predict and many of which are beyond the control of Arch and the Debtors. NEITHER ARCH, ON THE ONE HAND, NOR THE DEBTORS, ON THE OTHER HAND, MAKE ANY EXPRESS OR IMPLIED REPRESENTATION OR WARRANTY AS TO THE ATTAINABILITY OF THE PROJECTED FINANCIAL INFORMATION SET FORTH IN THE COMBINED COMPANY PROJECTIONS OR AS TO THE ACCURACY OR COMPLETENESS OF THE ASSUMPTIONS FROM WHICH THAT PROJECTED INFORMATION IS DERIVED.

INTRODUCTORY STATEMENT

THIS DISCLOSURE STATEMENT CONTAINS A SUMMARY OF CERTAIN PROVISIONS OF THE DEBTORS' ~~SECOND~~ **THIRD** AMENDED JOINT PLAN OF REORGANIZATION DATED AS OF ~~SEPTEMBER 3~~ **DECEMBER 1**, 1998 (THE "PLAN"), PROPOSED BY MOBILEMEDIA CORPORATION, MOBILEMEDIA COMMUNICATIONS, INC. AND THE SUBSIDIARIES OF MOBILEMEDIA COMMUNICATIONS, INC., AS DEBTORS AND DEBTORS-IN-POSSESSION (COLLECTIVELY, THE "DEBTORS"), AND SUMMARIES OF CERTAIN OTHER DOCUMENTS RELATING TO THE CONSUMMATION OF THE PLAN OR THE TREATMENT OF CERTAIN PARTIES IN INTEREST, AND CERTAIN FINANCIAL INFORMATION RELATING THERETO. THE PLAN REFLECTS THE PROPOSED MERGER OF MOBILEMEDIA COMMUNICATIONS, INC. WITH AND INTO A NEWLY-FORMED WHOLLY OWNED SUBSIDIARY OF ARCH PURSUANT TO AN AGREEMENT AND PLAN OF MERGER DATED AS OF AUGUST 18, 1998, AS AMENDED BY THE FIRST AMENDMENT THERETO DATED AS OF SEPTEMBER 3, **1998 AND THE SECOND AMENDMENT THERETO DATED AS OF DECEMBER 1,** 1998 (AS SO AMENDED, THE "MERGER AGREEMENT"). THIS DISCLOSURE STATEMENT SUPERSEDES THE DISCLOSURE ~~STATEMENT~~ **STATEMENTS** PREVIOUSLY FILED WITH THE BANKRUPTCY COURT ~~ON AUGUST 25, 1998~~ AND THE PLAN ATTACHED HERETO SUPERSEDES THE ~~PLAN~~ **DEBTORS' SECOND AMENDED JOINT PLAN OF REORGANIZATION** PREVIOUSLY FILED WITH THE BANKRUPTCY COURT ON ~~AUGUST 20, 1998 (THE "PRIOR PLAN")~~ **SEPTEMBER 4, 1998**.

WHILE THE DEBTORS BELIEVE THAT THE SUMMARIES CONTAINED HEREIN PROVIDE ADEQUATE INFORMATION WITH RESPECT TO THE DOCUMENTS SUMMARIZED, SUCH SUMMARIES ARE QUALIFIED TO THE EXTENT THAT THEY DO NOT SET FORTH THE ENTIRE TEXT OF SUCH DOCUMENTS. BEFORE CASTING A BALLOT, EACH HOLDER OF AN IMPAIRED CLAIM SHOULD REVIEW THE ENTIRE PLAN AND THE MERGER AGREEMENT ATTACHED HERETO, **[**AS WELL AS THE REGISTRATION STATEMENT ORIGINALLY FILED BY ARCH ON AUGUST 25, 1998 WITH THE SEC IN CONNECTION WITH THE RIGHTS OFFERING TO MOBILEMEDIA'S CREDITORS THAT IS BEING UNDERTAKEN BY ARCH (AS ~~AMENDED BY AMENDMENT NO. 1 THERETO DATED SEPTEMBER 16, 1998 AND AS FURTHER AMENDED FROM TIME TO TIME~~ **SUBSEQUENTLY AMENDED,** "THE REGISTRATION STATEMENT")**]**. THE TERMS OF THE PLAN AND THE MERGER AGREEMENT GOVERN IN THE EVENT OF ANY INCONSISTENCY WITH THE SUMMARIES CONTAINED IN THIS DISCLOSURE STATEMENT.

OTHER THAN INFORMATION PROVIDED BY ARCH IN THE REGISTRATION STATEMENT IN CONNECTION WITH THE RIGHTS OFFERING BEING UNDERTAKEN BY ARCH THAT IS DESCRIBED BELOW, NO PARTY IS AUTHORIZED

BY THE DEBTORS TO PROVIDE ANY INFORMATION TO ~~THEIR~~ **THE DEBTORS'** CREDITORS WITH RESPECT TO THE PLAN OTHER THAN THAT CONTAINED IN THIS DISCLOSURE STATEMENT. OTHER THAN AS SET FORTH IN THE REGISTRATION STATEMENT AND THIS DISCLOSURE STATEMENT, THE DEBTORS HAVE NOT AUTHORIZED ANY REPRESENTATIONS CONCERNING THE DEBTORS, THEIR ANTICIPATED FINANCIAL POSITION OR OPERATIONS AFTER CONFIRMATION OF THE PLAN OR THE VALUE OF THEIR BUSINESS AND PROPERTY. TO THE EXTENT INFORMATION IN THIS DISCLOSURE STATEMENT RELATES TO THE DEBTORS, THE DEBTORS OR THEIR ADVISORS HAVE PROVIDED THE INFORMATION IN THIS DISCLOSURE STATEMENT. TO THE EXTENT INFORMATION IN THIS DISCLOSURE STATEMENT RELATES TO ARCH, ARCH OR ITS ADVISORS HAVE PROVIDED THE INFORMATION IN THIS DISCLOSURE STATEMENT.

THE INFORMATION IN THIS DISCLOSURE STATEMENT IS BEING PROVIDED SOLELY FOR PURPOSES OF VOTING TO ACCEPT OR REJECT THE PLAN OR OBJECTING TO CONFIRMATION. NOTHING IN THIS DISCLOSURE STATEMENT MAY BE USED BY ANY PERSON OR ENTITY FOR ANY OTHER PURPOSE.

THE DEADLINE FOR VOTING TO ACCEPT OR REJECT THE PLAN IS 5:00 P.M., NEW YORK CITY TIME, ON _______, ~~1998~~ **1999**, UNLESS EXTENDED.

NOTHING CONTAINED IN THIS DISCLOSURE STATEMENT, EXPRESS OR IMPLIED, IS INTENDED TO GIVE RISE TO ANY COMMITMENT OR OBLIGATION OF THE DEBTORS OR CONFERS UPON ANY PERSON ANY RIGHTS, BENEFITS OR REMEDIES OF ANY NATURE WHATSOEVER (OTHER THAN AS SET FORTH IN THE PLAN), NOR SHOULD THE CONTENTS OF THIS DISCLOSURE STATEMENT BE CONSTRUED AS PROVIDING ANY LEGAL, BUSINESS, FINANCIAL OR TAX ADVICE. HOLDERS OF CLAIMS AND INTERESTS SHOULD CONSULT WITH THEIR OWN ADVISORS.

EXCEPT AS HEREAFTER NOTED, THE INFORMATION CONTAINED HEREIN IS GENERALLY INTENDED TO DESCRIBE FACTS AND CIRCUMSTANCES ONLY AS OF ~~__________~~ **SEPTEMBER 30**, 1998, AND NEITHER THE DELIVERY OF THE DISCLOSURE STATEMENT NOR THE CONFIRMATION OF THE PLAN WILL CREATE ANY IMPLICATION, UNDER ANY CIRCUMSTANCES, THAT THE INFORMATION CONTAINED HEREIN OR THEREIN IS CORRECT OR COMPLETE AT ANY TIME AFTER THE DATE HEREOF OR THEREOF, OR THAT THE DEBTORS ARE OR WILL BE UNDER ANY OBLIGATION TO UPDATE SUCH INFORMATION IN THE FUTURE.

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I. INTRODUCTION

A. General Background

MobileMedia Corporation, a Delaware corporation ("MobileMedia"), MobileMedia Communications, Inc., a Delaware corporation ("Communications"), and the subsidiaries of Communications listed on the cover page of this Disclosure Statement, as debtors and debtors-in-possession (the "Debtors"), transmit this Disclosure Statement (the "Disclosure Statement") pursuant to section 1125(b) of title 11, United States Code, 11 U.S.C. §§ 101 et seq. (the "Code"), to all known impaired creditors **and equity security holders** of the Debtors in connection with the solicitation of ~~their acceptance~~ **acceptances** of the Debtors' ~~Second~~ **Third** Amended Joint Plan of Reorganization dated as of ~~September 3~~ **December 1**, 1998 (the "Plan"). A copy of the Plan, which has been filed with the Clerk of the Bankruptcy Court, is annexed hereto and made a part hereof as Exhibit A. (Capitalized terms not defined herein have the meanings ascribed to them in the Plan unless otherwise noted.) This Disclosure Statement supersedes and replaces the disclosure ~~statement~~ **statements previously** filed with the Bankruptcy Court ~~on August 25, 1998~~ and the Plan attached hereto supersedes and replaces the ~~plan of reorganization~~ **Debtors' Second Amended Joint Plan of Reorganization** filed with the Bankruptcy Court on ~~August 20~~ **September 4**, 1998.

The Plan proposes a reorganization of the Debtors pursuant to a business combination with a newly-formed wholly owned subsidiary of Arch Communications Group, Inc. ("Arch"), a Delaware corporation. Under the Plan, existing creditors of the Debtors will receive in satisfaction of their claims cash or equity securities of Arch, or will have their claims cured and reinstated pursuant to section 1124 of the Code. There will be no recovery for ~~the Debtors'~~ **MobileMedia's** equity security holders**, whose Interests in MobileMedia will be cancelled**. The proposed business combination is reflected in the Merger Agreement among MobileMedia, Communications, Arch and Farm Team Corp., a wholly-owned special purpose subsidiary of Arch ("Merger Subsidiary"), as amended by the First Amendment ~~thereto~~ **to Agreement and Plan of Merger** dated as of September 3, 1998 ~~(the "First Amendment")~~ **and the Second Amendment to Agreement and Plan of Merger dated as of December 1, 1998**. A composite copy of the Merger Agreement reflecting the amendments to the Merger Agreement effected by the First **Amendment and the Second** Amendment (the "Composite Merger Agreement") is attached hereto as Exhibit B.

Pursuant to the Merger Agreement, effective simultaneously with the effectiveness of the Plan, Communications will merge with and into Merger Subsidiary (the "Merger"), with Merger Subsidiary being the surviving company. As consideration for the Merger, the Plan provides for the distribution of (a) approximately $479 million in cash to the Debtors' secured creditors and (b) equity securities and rights to purchase equity securities of Arch to the Debtors' unsecured creditors that will represent, in the aggregate, a ~~[69.3%]~~ **64.2%** to 82.7% ownership stake in Arch subsequent to the Merger ~~on a Diluted Basis. The precise distribution of these securities will be based on the market price of Arch Common Shares as determined during two~~

~~specified measuring periods~~. Arch has also agreed to satisfy all of the Debtors' administrative expenses and to assume and satisfy certain liabilities of the Debtors as described below.

The Debtors' bankruptcy cases under chapter 11 of the Code (the "Cases") are currently pending before the Honorable Peter J. Walsh, United States Bankruptcy Judge for the District of Delaware (the "Bankruptcy Court"). Chapter 11 is the principal business reorganization chapter of the Code. Under chapter 11 of the Code, a debtor is authorized to reorganize its business for the benefit of its creditors and stockholders. In addition to permitting rehabilitation of the debtor, another goal of chapter 11 is to promote equality of treatment of creditors and equity security holders of equal rank with respect to the restructuring of debt. In furtherance of these two goals, upon the filing of a petition for reorganization under chapter 11, section 362(a) of the Code generally provides for an automatic stay of substantially all acts and proceedings against the debtor and its property, including all attempts to collect claims or enforce liens that arose prior to the commencement of the debtor's case under chapter 11. Recognizing the need for representation of unsecured creditors in the reorganization process, section 1102 of the Code provides for the establishment of a creditors' committee. An official committee of unsecured creditors (the "Committee") in the Cases was appointed by the United States Trustee for the District of Delaware on February 10, 1997.

Confirmation and consummation of a plan of reorganization are the principal objectives of a chapter 11 reorganization case. A plan of reorganization sets forth the means for satisfying claims against, and interests in, a debtor. Confirmation of a plan requires, among other things, the affirmative vote of creditors holding at least two-thirds in total dollar amount and more than one-half in number of the allowed claims in each impaired class of claims that have voted on the plan, and two-thirds in amount of equity interests in each impaired class of interests that voted on the plan. Section 1129(b) of the Code, commonly referred to as the "cramdown" provision, permits confirmation of a plan over the objection of an impaired class under certain circumstances. Confirmation of a plan of reorganization by a bankruptcy court makes the plan binding upon the debtor, any issuer of securities under the plan, any person acquiring property under the plan and any creditor or equity security holder of the debtor. Subject to certain limited exceptions, the confirmation order discharges the debtor from any debt that arose prior to the effective date of the plan and substitutes therefor the obligations specified under the confirmed plan.

The Debtors believe the Plan complies with all requirements of the Code and provides the best available recovery to ~~creditors and equity security holders~~ **their estates**. The Plan also has the support of the Committee, which will recommend to its constituency that it vote to accept the Plan. In addition, the Standby Purchasers **(defined below)**, who together hold more than **$229 million** of the **$[464] million** in estimated Unsecured Claims, support and have agreed to vote in favor of the Plan as currently proposed. The Debtors urge all impaired creditors to vote to accept the Plan.

B. The Debtors; Events Leading up to the Filings

The Debtors operate one of the largest paging companies in the United States, with approximately 3.2 million units in service as of ~~June~~ **September** 30, 1998. Through their sales offices, nationwide retail distribution network, reseller and company-operated retail stores, the Debtors offer local, regional and national coverage to subscribers in all 50 states and the District of Columbia, including local coverage to each of the 100 most populated metropolitan markets in the United States. The Debtors market their services primarily under the MobileComm® brand name. MobileMedia, a public company, is the ultimate parent company of all the Debtors, and the direct parent of Communications.[1] The Debtors' business is conducted primarily through Communications. Communications and various subsidiaries of Communications hold the Federal Communications Commission ("FCC") licenses and, where applicable, state public utility commission authorizations that grant the Debtors the authority to operate their paging systems.

The Debtors distribute their paging services using three primary distribution channels: direct, reseller and retail. These three channels are described below. The Debtors' paging and wireless messaging services consist principally of numeric and alphanumeric paging services. As of ~~June~~ **September** 30, 1998, the Debtors had approximately 2.6 million numeric units in service, representing approximately 81% of their subscriber base, approximately .6 million alphanumeric units in service, representing approximately 18% of their subscriber base, with other types of units in service representing the remaining number (less than 1% of their subscriber base).

Beginning in 1995, MobileMedia grew its business primarily through acquisitions. In August 1995, the Debtors completed the acquisition of the paging and wireless messaging business of Dial Page, Inc. ("Dial Page"); in January 1996, the Debtors completed the acquisition of Mobile Communications Corporation of America ("MCCA"), the paging and wireless messaging unit of BellSouth Corporation. During 1996, the Debtors experienced difficulties executing their post-acquisition business strategy. These difficulties related largely to the process of integration of the operations of Dial Page and MCCA into those of MobileMedia. As a result, the Debtors did not achieve expected growth in their subscriber base and revenues, nor did they realize anticipated efficiencies and cost reductions from the elimination of duplicative functions.

During 1996, the Debtors' financial position deteriorated. As of September 30,

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[1] MobileMedia also has five direct and indirect wholly owned non-debtor subsidiaries, Proximity Communications Manager, Inc. (formerly named Locate Manager, Inc.), Proximity Communications, Inc. (formerly named Local Area Telecommunications, Inc.), Locate-1, Inc., Proximity Communications, L.L.C. (formerly named Locate L.L.C.) and Personal Communication Network Services of New York, Inc. (collectively, the "Locate Entities"). The Locate Entities are no longer doing business, have reached an agreement with their known creditors (other than taxing authorities) and, on October 26, 1998, filed chapter 11 cases to wind up their businesses. See Section II.A.1.(e).

1996, Communications was in violation of certain financial covenants under its $750 million senior secured credit agreement (as amended, the "1995 Credit Agreement"), which resulted in a default under the 1995 Credit Agreement and precluded Communications from borrowing additional funds thereunder. Communications' obligations under the 1995 Credit Agreement are guaranteed by MobileMedia and by all the subsidiaries of Communications. In the fall of 1996, the Debtors commenced negotiations with The Chase Manhattan Bank, the agent (the "Pre-Petition Agent") for the lenders (the "Pre-Petition Lenders") under the 1995 Credit Agreement, regarding the terms of a possible financial restructuring.

In press releases issued on September 27 and October 21, 1996, the Debtors disclosed that misrepresentations had been made to the FCC and that other violations had occurred during the licensing process for as many as 400 to 500 authorizations, or approximately 6% to 7%, of their approximately 8,000 local transmission one-way paging stations. The Debtors caused an investigation to be conducted by their outside counsel, and a comprehensive report regarding these matters was provided to the FCC on October 15, 1996. The results of an expanded investigation were submitted to the FCC on November 8, 1996. As discussed below, the Debtors are still in the process of resolving these issues with the FCC.

In November and December of 1996, the Debtors sought to modify payment terms with certain of their larger vendors, some of which had not been paid in accordance with their scheduled payment terms. In the fall of 1996, Motorola, Inc. ("Motorola"), the Debtors' largest supplier of pagers and pager repair parts, informed the Debtors that it would require credit support to assure payment of approximately $35 million past due accounts payable and would refuse to accept orders for products or services from, and refuse to make shipments to, the Debtors pending resolution of the matter. Subsequently, Glenayre Electronics, Inc. ("Glenayre"), the Debtors' primary supplier of paging terminals, transmitters and related parts, and NEC America Inc. ("NEC") and Panasonic Communications & Systems Company ("Panasonic" and, together with Motorola, Glenayre and NEC, the "Key Suppliers"), the Debtors' secondary suppliers of pagers, also made demands on the Debtors for payment of their past due accounts in the aggregate amount of $11.8 million.

On November 1, 1996, the Debtors failed to make a scheduled interest payment of approximately $11.8 million on their 9⅜% Senior Subordinated Notes due November 1, 2007 (the "9⅜% Notes"), which failure was not cured during the thirty day grace period ending November 30, 1996. In addition, in December 1996 and January 1997, the Debtors failed to make scheduled interest payments in the aggregate amount of approximately $13.4 million under the 1995 Credit Agreement.

Negotiations between the Debtors and the Pre-Petition Lenders, the holders of the 9⅜% Notes and certain other outstanding notes (collectively, the "Notes") and the Key Suppliers continued through late 1996. When it became apparent that the Debtors would be unable, among other things, to reach agreements with the Key Suppliers to resume shipments of critical inventory and equipment or to reach agreement with the Pre-Petition Lenders and the holders of the Notes on the terms of a restructuring of their indebtedness outside of chapter 11, the Debtors concluded that they had no practical alternative other than to seek protection under chapter 11 of the Code.

On January 30, 1997 (the "Petition Date"), each of the Debtors filed a voluntary petition for reorganization under chapter 11 of the Code with the Bankruptcy Court. During the Cases, the Debtors' management has continued to manage the operations and affairs of the Debtors as debtors-in-possession under the jurisdiction of the Bankruptcy Court.

C. The Disclosure Statement; Voting Requirements

[This Disclosure Statement has been approved by the Bankruptcy Court pursuant to an order dated __________, 1998 (the "Disclosure Statement Approval Order") as containing information of a kind and in sufficient detail to enable a hypothetical, reasonable investor typical of the holders of impaired Claims to make an informed judgment with respect to voting to accept or reject the Plan. A copy of the Disclosure Statement Approval Order is attached hereto as Exhibit C.] This Disclosure Statement is being transmitted in connection with the Plan to provide adequate information to enable holders of Claims entitled to vote on the Plan ("Voting Claims") to make an informed judgment with respect to such vote.

APPROVAL BY THE BANKRUPTCY COURT OF THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE AN ENDORSEMENT OF ANY OF THE REPRESENTATIONS CONTAINED IN THIS DISCLOSURE STATEMENT OR IN THE PLAN, NOR DOES IT CONSTITUTE AN ENDORSEMENT OF THE PLAN ITSELF.

EACH HOLDER OF A VOTING CLAIM SHOULD CAREFULLY REVIEW THE MATERIAL SET FORTH IN THIS DISCLOSURE STATEMENT AND THE EXHIBITS HERETO IN ORDER TO MAKE AN INDEPENDENT DETERMINATION AS TO WHETHER TO VOTE TO ACCEPT OR REJECT THE PLAN. IN ADDITION, ALTHOUGH THE DEBTORS HAVE MADE EVERY EFFORT TO BE ACCURATE HEREIN, EACH HOLDER OF A VOTING CLAIM SHOULD APPROPRIATELY REVIEW THE ENTIRE PLAN AND THE EXHIBITS THERETO BEFORE CASTING A BALLOT.

Accompanying this Disclosure Statement are:

1. A copy of the Plan (attached hereto as Exhibit A)[2];

2. A copy of the Composite Merger Agreement (attached hereto as

[2] Schedule 1 to the Plan is attached thereto. The exhibits to the Plan have been filed with, and are available for inspection at, the office of Clerk of the Bankruptcy Court.

Exhibit B)[3];

3. A copy of the Disclosure Statement Approval Order (attached hereto as Exhibit C);

4. A copy of the audited consolidated financial statements of Communications as of December 31, 1996 and 1997 and for the years ended December 31, 1995, 1996 and 1997, and the unaudited financial statements of Communications as of ~~June~~ **September** 30, 1998 and for the ~~six~~ **nine**-month periods ended ~~June~~ **September** 30, 1997 and 1998 (attached hereto as Exhibit D);

5. A copy of (a) unaudited financial projections relating to the Reorganized Debtors and Arch on a combined basis and (b) unaudited pro forma historical condensed consolidated financial statements of the Reorganized Debtors and Arch on a combined basis (attached hereto as Exhibit E);

6. A ballot for accepting or rejecting the Plan by the holders of Voting Claims (the "Ballot");

7. The notice approved by the Bankruptcy Court for impaired creditors that states, among other things, the time fixed by the Bankruptcy Court for:

(a) returning Ballots reflecting acceptances and rejections of the Plan;

(b) the hearing on confirmation of the Plan (the "Confirmation Hearing");

(c) filing objections to confirmation of the Plan;

(d) the filing of administrative claims by certain parties;

(e) filing claims arising from the rejection of leases and executory contracts; and

(f) filing objections to the Debtors' proposed cure payments in connection with assumed leases and executory contracts**; and**~~.~~

8. A Preliminary Prospectus included in the Registration Statement described more fully in Section V.I.3 below, which Preliminary Prospectus is being provided by

[3] Schedules I, III and IV to the Merger Agreement are attached thereto. The exhibits to the Merger Agreement have been filed with, and are available for inspection at, the office of Clerk of the Bankruptcy Court.

Arch and is attached hereto as Exhibit F.[4]

Holders of impaired Claims in Classes 4, 5 and 6 are entitled to vote on the Plan. TO BE COUNTED, YOUR VOTE MUST BE RECEIVED ON OR BEFORE 5:00 P.M. (NEW YORK CITY TIME) ON ________________, ~~1998~~ **1999** (THE "VOTING DEADLINE"). Signed Ballots should be sent by the Voting Deadline by hand delivery, first class mail postage prepaid or recognized overnight courier to:

Bankruptcy Services, Inc.
70 E. 55th Street, 6th Floor
New York, NY 10022-3222
Attention: Kathy Gerber

Ballots received by facsimile **(other than master ballots)** will not be counted.

D. Sources of Information

The information contained in this Disclosure Statement was derived from (i) the Debtors' and Arch's books and records (such as their general purpose financial statements, books of account and corporate records), (ii) the Debtors' and Arch's public filings and (iii) consultations with the Debtors' and Arch's officers, senior management, key personnel and various of their outside professionals, including accounting and financial advisors.

E. General Terms of the Business Combination between the Debtors and Arch and of the Treatment Under the Plan of Holders of Claims and Interests.

The following summary is qualified in its entirety by reference to the Plan and to the more detailed description of provisions for the Classes created under the Plan set forth in Section V, "Summary of the Plan of Reorganization". This Disclosure Statement contains only a summary of the terms of the Plan. It is the Plan and not this Disclosure Statement that governs the rights and obligations of the parties.

The Plan proposes a merger of the Debtors with a subsidiary of Arch pursuant to the Merger Agreement. On the Effective Date of the Plan, MobileMedia will contribute its assets to Communications and then dissolve, and Communications will merge with and into Merger Subsidiary, a wholly owned subsidiary of Arch, and will continue to operate as a wholly-owned operating subsidiary of Arch. Arch is described in Section III.

The Plan provides for separate classes of Claims and Interests (individually, a

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[4] Such Preliminary Prospectus will be replaced by the Final Prospectus included in such Registration Statement if such Registration Statement becomes effective under the Securities Act of 1933 prior to the dissemination of the Disclosure Statement.

"Class" and collectively, the "Classes"). The following chart provides a summary of the classification and treatment of the Classes under the Plan. As illustrated therein, holders of secured, administrative and priority Claims will be paid in cash in full the Allowed amount of their Claims or will be unimpaired.[5] Holders of unsecured non-priority Claims will receive Arch equity securities and rights to purchase additional Arch equity securities. Finally, the holders of equity interests in MobileMedia and of certain claims subordinated by law will receive no distributions under the Plan **and the equity interests in MobileMedia will be cancelled**.

Summary Chart of Claims and Interests[6]

Class	Description	Estimate of Aggregate Allowed Claim Amount ~~(~~(claims filed as of ~~____, 1998)~~ ~~Treatment of Allowed Claims~~ 12/10/1998	
N/A	Administrative Claims	**$120,000**[7]	Paid in full in cash
N/A	Priority Tax Claims	**$11.5 million**	Paid in full in cash or over time under 1129(a)(9)(C)
1	Priority Claims	**$150,000**	Paid in full in cash
2	Misc. Secured Claims	**$500,000**	Unimpaired
3	Customer Refund Claims	**$0**	Unimpaired
4	Secured Claims under 1995 Credit Agreement	**$480 million**	Paid in full in cash
5	Dial Page Notes	**$2.1 million**	Paid in full in cash
6	Non-Priority Unsecured Claims	**$[464] million**	Arch Stock and Rights (or, if a Class 6 Claim is Allowed after the distribution of Rights, such holder will receive cash in lieu of Rights)
7	Note Litigation Claims	**Not estimated**	No distribution
8	Common Stock Claims and Interests	**Not estimated**	No distribution
9	Subsidiary Claims and Interests	**Not estimated**	No distribution

[5] As discussed in Section VIII.C.2., "impairment" is a technical concept under the Code that refers to any change in the contractual or other rights of a creditor or interest holder. Only the holders of Claims and Interests that are impaired under the Plan and are receiving distributions under the Plan are entitled to vote on the Plan.

[6] The estimates set forth in this table are for descriptive purposes only, and do not and shall not constitute an admission as to the Debtors' obligations with respect to any Claim.

[7] Most administrative claims were not the subject of a previous bar date and thus have not been filed by December 10, 1998. The actual administrative expenses payable by the Debtors (which will include amounts payable under the DIP Facility) will be significantly in excess of $120,000.

The holders of Allowed Class 6 Claims (non-priority Unsecured Claims) will receive Arch equity securities and rights (described below) to purchase additional Arch equity securities, which distributions will vary depending on certain factors discussed below. Specifically, the holders of Allowed Claims in Class 6 will receive from Arch:

(i) **14.35 million** Arch Common Shares that will represent between approximately **7.3%-**9.7% ~~-[17.2]%~~ of the total number of Arch Common Shares ~~(on a Diluted Basis)~~ outstanding immediately following the Merger (subject to adjustment as described in Section V.A.3) **(the "Plan Shares")**, and

(ii) Pursuant to a registration statement filed by Arch with the SEC on August 25, 1998 (as ~~amended by Amendment No. 1 thereto dated September 16, 1998 and as further~~ amended from time to time, the "Registration Statement"), **108.5 million** transferable rights (the "Rights") to purchase for cash ~~"Units" comprised of (a)~~ Arch Common Shares or, only for a few large holders of Allowed Class 6 Claims and under certain circumstances described below, Arch Class B Common Shares ~~(together, "Arch Capital~~**(the "Rights** Shares") that will represent ~~between~~ approximately ~~[52.1%-~~**55.1%-**73.1%] of the total number of Arch Capital Shares ~~(on a Diluted Basis)~~ outstanding immediately following the Merger (the "Rights Offering") ~~and (b) as long as the Buyer Market Price of Arch Common Shares (as described in Section V.I.3 below) is not less than $6.25, warrants ("Arch Warrants") to acquire Arch Common Shares equal to 2.5% of the total number of Arch Capital Shares (on a Fully Diluted Basis) outstanding immediately following the Merger. If the Buyer Market Price of Arch Common Shares is less than $6.25, no Arch Warrants will be included in the Units~~. The subscription price of the Rights (the "Rights Exercise Price") will be ~~80% of the lower of two "Buyer Market Prices" (with a minimum subscription price of $2.00) as determined during two separate pricing periods~~ **$2.00**.

In lieu of the foregoing treatment, however, any holder of a Claim in Class 6 of ~~$1,000~~ **$2,000** or less may elect, by marking the appropriate box on the Ballot sent to such holder, to receive cash equal to 50% of its Allowed Claim, or, if such holder's claim is in excess of ~~$1,000~~ **$2,000**, such holder may elect to have its Claim reduced to and Allowed at ~~$1,000~~ **$2,000** and receive ~~$500~~ **$1000** in cash.

Arch is raising the funds to make the cash distributions provided for under the Plan, through, in part, the Rights Offering described above, which offering is ~~required~~ **designed** to yield proceeds of $217 million. In order to ensure that $217 million is so raised, four groups of the Debtors' unsecured creditors (the "Standby Purchasers") have agreed generally to exercise all the Rights distributed to them as holders of Allowed Class 6 Claims and to purchase any ~~Units~~ **Arch Capital Shares** not otherwise purchased through the exercise of Rights. In consideration of these agreements, Arch will distribute Arch **Participation** Warrants **(described below)** to the Standby Purchasers that will enable them to purchase ~~approximately 2.5%~~ **3.68 million Arch**

Capital Shares (approximately 1.9% of the total number of Arch Capital Shares ~~(on Fully Diluted Basis)~~ outstanding immediately following the Merger~~. If a Rights Offering Adjustment shall have occurred, the Standby Purchasers will be distributed Arch Participation Warrants (described below) in lieu of Arch Warrants~~**)**.

In connection with the Plan and the Merger Agreement, Arch ~~also intends to issue certain securities~~ **will issue rights** to its existing shareholders~~. If no Rights Offering Adjustment has occurred (i.e., the "Buyer Market Price" of Arch Common Shares is $6.25 or greater), Arch will issue Arch Warrants to its existing shareholders for the purchase of 7% of the outstanding Arch Common Shares on a Fully Diluted Basis. If a Rights Offering Adjustment has occurred, the existing shareholders of Arch will receive and be entitled to exercise, in lieu of these Arch Warrants, rights~~ ("Arch Stockholder Rights") to purchase **44.89 million** Arch Common Shares at **$2.00 per share (the "Stockholder Shares") --** the same exercise price applicable to the Rights issued to holders of Allowed Class 6 Claims. ~~Each Arch shareholder that does not exercise its Arch Stockholder Rights~~ **For each Arch Stockholder Right that is not exercised, the holder** will have issued to it ~~warrants~~ **a warrant** (collectively, the "Arch Participation Warrants") to purchase ~~an equal number of Arch Common Shares. If issued and~~ **one Arch Common Share at an exercise price equal to $2.00 plus an amount equal to a 20% return thereon from the Effective Date of the Plan through September 1, 2001. If** fully exercised, the Arch Stockholder Rights and Arch Participation Warrants issued to Arch's existing shareholders will, when coupled with Arch's existing shareholders' current holdings of Arch Capital Shares, enable these shareholders to own ~~32.175%~~ **35.8%** of the Arch Capital Shares~~, on a Fully Diluted Basis,~~ outstanding immediately after the Effective Date.

Because the number of Arch Capital Shares outstanding on and after the Effective Date will depend on how many Arch Stockholder Rights and Arch Participation Warrants have been exercised, the percentage of the outstanding Arch Capital Shares represented by the Plan Shares and the Rights Shares have been expressed as a range.

In the Proxy Statement described in Section IV.D.2, Arch recently made public its intention to seek shareholder approval to undertake a reverse stock split. Section 4.1(B)(6) of the Plan provides that if the Reverse Stock Split (as defined in the Merger Agreement) is effective prior to or simultaneously with the Effective Date, the number of issued and issuable Rights Shares and Stockholder Shares and the subscription price therefor, the number of Plan Shares, the number of Rights in the Rights Reserve and the number of shares of Arch Common Stock issuable upon exercise of the Arch Participation Warrants and the exercise price therefor will be adjusted as set forth in Section 8.18 of the Merger Agreement.

The following chart indicates, in summary form, the distributions that will be made to holders of Allowed Class 6 Claims, the Standby Purchasers and existing Arch shareholders in connection with the Plan and the Merger Agreement. Reference should be made to the relevant provisions of this Disclosure Statement, the Plan and the Merger Agreement for a more complete description thereof.

Allowed Class 6 Claims	Arch Shareholders	Standby Purchasers

~~Distributions if the Rights Exercise Price is $5 (80%~~ **1.** **14.345 million Arch Common Shares (constituting 7.3%-9.7%** of th	~~2.~~ **44.89 million Arch Stockholder** Rights~~, each with an exercise price of $5,~~ **priced at $2.00** to purchase ~~:~~ ~~a. 43.4 million shares~~ **equal number** of Arch Common **Shares (which, together with the current holdings of** ~~Stock (constituting 52.1% of the outstanding Arch Capital Stock on a Diluted Basis).~~ 8 ~~8 b. Arch Warrants to purchase Arch Common Stock equal to 2.5% of the outstanding Arch Capital Stock. on a Fully Diluted Basis. The Arch Warrants would have an exercise price of $8.19. Arch Warrants to purchase Arch Common Stock equal to 7% of the outstanding Arch Capital Stock on a Fully Diluted Basis. The Arch Warrants would have an exercise price of $8.19. In addition to their distributions as holders of Allowed Class 6 Claims, Arch Warrants to purchase Arch Common Stock equal to 2.5% of the outstanding Arch Capital Stock on a Fully Diluted Basis. The Arch Warrants would have an exercise price of $8.19.~~ 8 8 ~~8 Allowed Class 6 Claims Arch Shareholders Standby Purchasers Distributions if Rights Exercise Price is less than $5 (which Price will equal 80% of the Buyer Market Price but cannot be less than $2.00): 1. Subject to downward adjustment, 14.345 million shares of Arch Common Stock (constituting 9.7%-17.2% of the outstanding Arch Capital Stock on a Diluted Basis).~~ 8 ~~82. Rights priced at 80% of an average trading value of Arch Common Stock during the "Second Buyer Market Price Period" (with a minimum price of $2.00), to purchase 43.4 - 108.5 million shares of Arch Common Stock (52.1%-73.1%~~	In addition to their distributions as holders of Allowed Class 6 Claims, Arch Participation Warrants to purchase **3.68 million** Arch ~~Common Stock~~ **Capital Shares (**equal to ~~2.5%~~ **approximately 1.9%** of the ~~outstanding~~ Arch Capital ~~Stock.~~ **Shares outstanding** on ~~a Fully Diluted Basis~~ **the Effective Date)**. The exercise price of these warrants ~~would~~ **will** equal ~~the Rights Exercise Price~~ **$2.00** plus an amount equal to a 20% return thereon from the Effective Date of the Plan through September 1, 2001.

F. Conditions to Effectiveness of the Plan

The Bankruptcy Court has scheduled a hearing to consider confirmation of the Plan. The Code imposes a number of voting and other requirements on the confirmation of a plan. These Code requirements are described in Section VIII, "Conditions Precedent to Confirmation of the Plan under the Code".

In addition, certain conditions specified in the Plan and the Merger Agreement must be satisfied or waived prior to the Effective Date of the Plan in order for the Merger to be consummated and the Plan to become effective. As discussed in Sections II.A.8 and IV.F.2, one such condition is that the transfer of the Debtors' FCC licenses and authorizations as contemplated by the Merger has been approved by the FCC, including pursuant to a doctrine known as Second Thursday. A summary of these conditions is set forth in Section V.B, "Conditions to Effectiveness of the Plan" and in Section IV.D, "Summary of the Merger Agreement;", and reference is made to the terms of the Plan and the Merger Agreement, which are attached hereto as Exhibits A and B, respectively.

II. DESCRIPTION OF THE DEBTORS

A. Background Information Regarding the Debtors

The following information provides a brief summary of the business of the Debtors.[8] Attached hereto as Exhibit D are the 1996 and 1997 audited consolidated financial statements of Communications, which provide certain historical financial information regarding the Debtors. In addition, since the Petition Date, the Debtors have filed Monthly Operating Reports with the Office of the United States Trustee for the District of Delaware (the "Operating Reports"), and have filed a copy of each Operating Report with the SEC as an exhibit to a Current Report on Form 8-K. Financial statements included in the Debtors' periodic reports for

[8] Because MobileMedia was unable to comply with certain accounting requirements and, therefore, to issue audited financial statements in compliance with generally accepted accounting principles, it was unable to file its Report on Form 10-K for the year ending December 31, 1996 or its Report on Form 10-Q for the fiscal quarter ending March 31, 1997. Accordingly, MobileMedia was unable to comply with the continued listing requirements of the NASDAQ National Market ("NASDAQ") and, on June 3, 1997, MobileMedia voluntarily delisted its Class A Common Stock from the NASDAQ. Since the filing of the September 1996 Form 10-Q, MobileMedia has not filed any periodic reports under the Securities and Exchange Act of 1934, as amended, other than Current Reports on Form 8-K. The 1996 and 1997 audited consolidated financial statements of Communications attached hereto as Exhibit D were not completed until August 20, 1998.

all periods since February 1997 were not been prepared in accordance with generally accepted accounting principles ("GAAP") due to the Debtors' inability at the time of such filings to determine the amount of an impairment loss related to long-lived assets pursuant to Financial Accounting Standard No. 121, are unaudited and have been revised periodically based on subsequent determinations of changes in facts and circumstances impacting previously filed unaudited financial statements. The audited financial statements of Communications attached hereto as Exhibit D reflect adjustments from the unaudited statements, including, but not limited to, an impairment adjustment of $792.5 million recorded as of December 31, 1996.

1. Overview of the Debtors' History and Operations.

(a) *The MTI Acquisition.* The Debtors' business originally derives from the paging business formed by MetroMedia Telecommunications, Inc. through numerous acquisitions in the 1980's. In 1987, SBC Communications, Inc. ("SBC"), formerly Southwestern Bell Corporation, acquired MetroMedia Telecommunications, Inc. ("MTI") and continued to operate the paging business under the "MetroMedia" name.

On December 30, 1992, Local Area Telecommunications, Inc. ("Locate") entered into a stock purchase agreement (the "MTI Purchase Agreement") to acquire the stock of MTI from SBC for $308 million, subject to certain adjustments (the "MTI Acquisition"). MobileMedia and the predecessor of Communications (the "Predecessor") were formed by Locate in September 1993 to effect the MTI Acquisition. Locate's rights under the MTI Purchase Agreement were contributed to MobileMedia in exchange for which MobileMedia issued 4,375,000 shares of Class B Common Stock to Locate, and MobileMedia's rights under the MTI Purchase Agreement were contributed to the Predecessor.

In order to provide a portion of the financing for the MTI Acquisition, Locate and MobileMedia entered into a stock purchase agreement with Hellman & Friedman Capital Partners II, L.P. and certain other investors (collectively, the "H&F Investors"), dated as of October 11, 1993, as amended (the "H&F Purchase Agreement"). Pursuant to the H&F Purchase Agreement and concurrently with the consummation of the MTI Acquisition, MobileMedia sold to the H&F Investors for $150 million (i) 14,999,995 shares of Class A Common Stock of MobileMedia and (ii) warrants to purchase 456,283 shares of Class A Common Stock of MobileMedia at $.001 per share (the "H&F Investment"). The proceeds of the H&F Investment were contributed by MobileMedia to the Predecessor, and the Predecessor used such proceeds, the net proceeds from the issuance of $210,000,000 aggregate principal amount at maturity of 10½% Senior Subordinated Deferred Coupon Notes due December 1, 2003 (the "10½% Notes") and initial borrowings under a bank credit facility to pay the purchase price and transaction fees and expenses incurred in connection with the MTI Acquisition. Concurrently, the Predecessor merged with and into MTI, with the result that MTI became a wholly owned subsidiary of MobileMedia, and MTI was renamed "MobileMedia Communications, Inc." As a result of the MTI Acquisition, Communications had approximately 1.2 million units in service as of December 31, 1993.

(b) *The Dial Page Acquisition.* On August 31, 1995, Communications purchased the paging and wireless messaging business of Dial Page, Inc. (the "Dial Page Acquisition"). The purchase price of the Dial Page Acquisition was largely financed through an initial public offering of 8,800,000 shares of MobileMedia Class A Common Stock which, at a price to the public of $18.50 per share, generated net proceeds of approximately $151.9 million, which proceeds were contributed to Communications. The total purchase price of the Dial Page Acquisition was $187.4 million, which included the assumption of $85 million outstanding principal amount of the Dial Page 12¼% Senior Notes due 2000 (the "Dial Page Notes"). Concurrently with the transaction, Communications repurchased all but approximately $1.6 million of the Dial Page Notes. The Dial Page Acquisition added approximately 0.4 million units in service in the southeastern United States to Communications' subscriber base.

(c) *The MobileComm Acquisition.* On January 4, 1996, Communications purchased MCCA (the "MobileComm Acquisition"), the paging and wireless messaging unit of BellSouth Corporation ("BellSouth"), and an associated nationwide two-way narrowband 50/12.5 kHz PCS license. The purchase price for the MobileComm Acquisition was $928.7 million. The purchase price of the MobileComm Acquisition was financed by (i) MobileMedia's public offering of 15,525,000 shares of Class A Common Stock which, at a price to the public of $23.75 per share, generated net proceeds of approximately $354.9 million, of which $340 million was contributed by MobileMedia to Communications, (ii) a concurrent public offering by Communications of $250 million aggregate principal amount at maturity of 9⅜% Notes and (iii) loan facilities aggregating $750 million, consisting of a $550 million secured term loan facility and a $200 million secured revolving loan facility (the "1995 Credit Facility"), evidenced by the 1995 Credit Agreement. $500 million of the secured term loan facility was used as consideration for the MobileComm Acquisition. $50 million of the 1995 Credit Facility was used to repay Communications' former credit facility. The MobileComm Acquisition added approximately 1.7 million units in service to the Debtors' subscriber base.

(d) *Post-Acquisition Operations.* Since consummating the Dial Page Acquisition and the MobileComm Acquisition, the Debtors have experienced difficulties integrating the acquired businesses and have experienced serious financial difficulties. During 1996, the financial results of the Debtors were negatively impacted by the continuing costs and increased subscriber "churn" associated with the attempt to integrate the business operations of MobileComm and Dial Page with the preexisting business of the Debtors.[9]

Since the Petition Date, the Debtors have been engaged in restructuring their operations with the objective of improving performance, principally in the areas of order entry, billing and collections, inventory controls, management information systems conversion and

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[9] "Churn", typically measured on a monthly basis, is the percentage loss of a paging company's subscriber base. Because of the various expenses associated with churn, and because of the fact that it may be indicative of operational problems, it is highly desirable for a paging company to maintain a low churn rate.

customer service. The Debtors also have undertaken cost reduction analyses and have taken actions that have the objective of reducing telecommunications, subcontracting and lease expenses, among others. In addition, the Debtors have sought to refocus their marketing and sales efforts in an attempt to achieve unit additions consistent with positive cash flow, and are continuing to change their management structure with the objective of establishing profit and loss accountability in each market.

(e) *The Locate Entities*. As noted above, the Locate Entities are five subsidiaries of MobileMedia that ceased doing business in 1996 but that did not file bankruptcy petitions with the Debtors. The Locate Entities formerly operated as a competitive access provider, providing (i) local digital microwave distribution services and facilities to large corporations and to interexchange and other common carriers, and (ii) local, long distance and international switched services. The assets of the Locate Entities were sold in a series of transactions, culminating in a sale to WinStar Communications, Inc. ("WinStar") in October 1996 of substantially all the remaining assets of the Locate Entities in exchange for notes payable by WinStar in the principal amount of $17.5 million (the "WinStar Notes"). On April 7, 1997, WinStar paid the amounts owing on the WinStar Notes, except for certain amounts withheld to cover liabilities for New York City commercial rent taxes, New York State bulk sales taxes and certain property taxes.

MobileMedia believes that the liabilities of the Locate Entities exceed their assets. Since the Petition Date, MobileMedia has been working with officers of the Locate Entities (including Joseph A. Bondi, also a MobileMedia officer) to quantify potential liabilities against the Locate Entities. In particular, the Locate Entities are working with their financial advisors to assess and establish an appropriate reserve for outstanding and potential tax liabilities. In addition to existing and potential tax claims, the Locate Entities are aware of the following creditors of the Locate Entities and their claimed amounts: (i) Hellman & Friedman Capital Partners II, L.P. ("Hellman & Friedman"), a significant shareholder of MobileMedia, for the principal amount of $7.3 million, plus $2.69 million of interest from February, 1995 through December 31, 1997, based on certain promissory notes executed by one of the Locate Entities in 1995; (ii) certain trusts of which G. Jeffrey Mennen is a trustee (collectively, "Mennen"), for the aggregate principal amount of $10 million, together with an unspecified amount of interest thereon (currently estimated to be approximately $3 million), based on promissory notes executed by one of the Locate Entities in 1994 (collectively, "Mennen Claims"); (iii) R. Craig Roos, a former officer of the Locate Entities, for approximately $2.6 million, based on severance and related claims under an employment agreement; and (iv) Kenneth Curtin, a former officer of the Locate Entities, for approximately $1 million based on severance and related claims under an employment agreement. Hellman & Friedman asserts that its claims are senior to the Mennen Claims by virtue of a subordination agreement among Hellman & Friedman, Mennen and Locate. In addition, MobileMedia has asserted a claim for reimbursement against the Locate Entities in the approximate amount of $50,000.

~~To date,~~ **In December 1997, Kensington & Ressler L.L.C. was retained as**

outside counsel to assist management of the Locate Entities ~~have paid approximately $1.1 million to various taxing authorities and have made two interim distributions to their creditors (other than MobileMedia) in the aggregate amount of $718,479, as follows: Jerry McAndrews (no longer a creditor of the Locate Entities) -- $25,000; John Davenport (who is believed no longer to be a creditor of the Locate Entities) -- $2,216; Kenneth Curtin -- $191,263; R. Craig Roos -- $200,000; Mennen --$150,000; and~~ **in resolving with their known creditors all issues related to the validity, extent and priority of claims against the Locate Entities. A consensual resolution of these issues was reached and is reflected in a creditor agreement dated as of September 2, 1998 among the Locate Entities, MobileMedia, Hellman & Friedman, Mennen, Mr. Roos and Mr. Curtin (the "Creditor Agreement"). On September 24, 1998, the Bankruptcy Court overseeing the MobileMedia Cases authorized and approved the settlement of the claims between MobileMedia and the Locate Entities and authorized MobileMedia to cause the Locate Entities to make an initial distribution of funds pursuant to the terms of the Creditor Agreement as follows: (i) Mennen -- $6,513,408.00, (ii)** Hellman & Friedman -- ~~$150,000. Such payments and interim distributions will reduce amounts ultimately to be distributed to such creditors. Substantially all of such interim distributions were made without prejudice to any rights of~~**$4,940,281.00, (iii) Roos --$450,466.00, (iv) Curtin -- $500,570.00 and (v) $32,114.00 to MobileMedia in satisfaction of its claim for reimbursement of professional fees, payroll taxes and bulk sales taxes associated with the WinStar sale, together with an additional $69,978.72 from a segregated bank account held by** the Locate Entities~~. The Locate Entities expressly reserved their rights to dispute such claims of creditors, and substantially all of the interim distributions to creditors were made expressly subject to recovery if such claims are not ultimately established.~~ **for reimbursement of some of the amounts advanced by MobileMedia on behalf of the Locate Entities in connection with the closing of the sale of the Locate Entities' assets and related transactions.[10] Aside from the parties to the Creditor Agreement and potential claimants such as various taxing authorities and governmental units and the parties to the Torf Litigation (as defined below), MobileMedia is unaware of any claims against the assets of the Locate Entities by any creditors of the Debtors.**

In addition to the claims described above, one of the Locate Entities is a named defendant in a lawsuit currently pending in New York Supreme Court relating to claims by two individuals seeking damages of $65 million for defamation and intentional infliction of emotional distress in connection with alleged false and defamatory statements transmitted over an electronic paging network **(the "Torf Litigation")**. The Locate Entities believe that the ~~plaintiffs'~~ **plaintiffs'** allegations are without merit and are vigorously defending the action.

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[10] Prior to their entry into the Creditor Agreement, the Locate Entities had paid approximately $1.1 million to various taxing authorities and had made two interim distributions to their creditors (other than MobileMedia) in the aggregate amount of $718,479, as follows: Jerry McAndrews (no longer a creditor of the Locate Entities) -- $25,000; John Davenport (who is believed no longer to be a creditor of the Locate Entities) -- $2,216; Kenneth Curtin -- $191,263; R. Craig Roos -- $200,000; Mennen -- $150,000; and Hellman & Friedman -- $150,000.

On October 26, 1998, each of the Locate Entities filed voluntary a chapter 11 petition with the United States Bankruptcy Court, District of Delaware, Case No. 98-2434 (PJW) (jointly administered) for the purpose of winding up their estates. To date, the Locate Entities have been unable accurately to quantify and resolve potential claims of taxing authorities and governmental units (the "Tax Claims") arising from the Locate Entities' conduct of operations in 28 different states. The Locate Entities contemplate that by filing their chapter 11 cases, they will be able to fix and resolve potential Tax Claims, as well as potential administrative claims and potential disputed and other claims that may be asserted against them. Pursuant to an order of the bankruptcy court overseeing the Locate Entities' bankruptcy proceedings, the last date for filing proofs of claim against the Locate Entities by all creditors other than governmental units is December 30, 1998; governmental units must file proofs of claim before April 26, 1999 or be forever barred. It is currently anticipated that **once all liabilities of** the Locate Entities ~~will be liquidated pursuant to a chapter 11 filing in order to effect a consensual allocation and distribution of assets to their creditors. In December 1997, Kensington & Ressler L.L.C. was retained as outside counsel to assist management of~~ **have been ascertained through the bankruptcy claims process,** the Locate Entities ~~in resolving with their known creditors all issues relating to the validity, extent and priority of claims against the Locate Entities. A consensual resolution of these issues was reached and is reflected in a Creditor Agreement dated as of September 2, 1998 among the Locate Entities, MobileMedia, Hellman & Friedman, Mennen, Mr. Roos and Mr. Curtain. Other than such known creditors, MobileMedia is not aware of any claims against the assets of the Locate Entities by any creditors of the Debtors. It is anticipated that the liquidation of the Locate Entities will be completed prior to the Effective Date of the Plan.~~ **will file a plan of liquidation consistent with the Creditor Agreement.**

2. Networks and Licenses.

(a) *General*. The Debtors operate local, regional and national paging networks. The Debtors' networks enable customers to receive pages over a broad geographical area. The extensive coverage provided by this network infrastructure provides the Debtors with an advantage over certain competitors whose networks lack comparable coverage in securing accounts with large corporate clients and retail chains, who frequently demand national network coverage from their paging service provider.

Although the Debtors' networks provide local, regional and national coverage, the Debtors' networks operate over numerous frequencies and are subject to some capacity constraints in certain geographic markets. The use of multiple frequencies adds complexity to inventory management, customer service and order fulfillment processes. Certain of the Debtors' networks utilize older technologies and are comparatively costlier to operate. Although the capacity of the Debtors' network infrastructure varies significantly market-by-market, customer usage of the Debtors' systems is close to capacity in several markets, thus limiting future growth in such markets in the absence of additional capital investment.

The Debtors are seeking to improve overall network efficiency through the deployment of new paging terminals, the consolidation of subscribers on fewer, higher capacity networks and increasing the transmission speed (baud rate) of certain of their existing networks. The Debtors believe their investments in their network infrastructure will facilitate and improve the delivery of high quality paging services while at the same time reducing associated costs of such services.

(b) *Nationwide wireless networks.* The Debtors operate two nationwide 900 MHz networks. As part of the MobileComm Acquisition, the Debtors acquired MCCA's fully operational nationwide wireless network (the "8875 Network"), which was upgraded in 1996 to incorporate high-speed FLEX™ technology developed by Motorola. In addition, in 1996, the Debtors completed the construction of a second nationwide network that uses FLEX™ technology (the "5375 Network"). The use of FLEX™ technology significantly increases transmission capacity and represents a marked improvement over other systems that use older paging protocols.

(c) *Nationwide two-way narrowband PCS networks.* Narrowband PCS networks enable paging companies to offer two-way paging services and to make more efficient use of radio spectrum than do non-PCS networks. The Debtors purchased five regional licenses through the FCC's 1994 auction of narrowband PCS licenses, providing the equivalent of a nationwide 50 kHz outbound/12.5 kHz inbound PCS system. In addition, as part of the MobileComm Acquisition, the Debtors acquired a second two-way narrowband PCS license for a nationwide 50 kHz outbound/12.5 kHz inbound system.

In order to retain their narrowband PCS licenses, the Debtors must comply with certain minimum build-out requirements. With respect to each of the regional PCS licenses purchased at the FCC's 1994 auction, the Debtors are required to build out the related PCS system to cover 150,000 sq. km. or 37.5% of each of the five regional populations by April 27, 2000 and 300,000 sq. km. or 75% of each of the five regional populations by April 27, 2005. With respect to the nationwide PCS license acquired as part of the MobileComm Acquisition, the Debtors are required to build out the related PCS system to cover 750,000 sq. km. or 37.5% of the U.S. population by September 29, 1999 and 1,500,000 sq. km. or 75% of the U.S. population by September 29, 2004. In each instance, the population percentage will be determined by reference to population figures at the time of the applicable deadline. The Debtors estimate that the costs of these minimum build-outs (which would not be sufficient for the Debtors to provide significant narrowband PCS applications) could be as much as approximately $9 million. The Debtors have concluded that, given the expected high demand for nationwide alphanumeric services, the potential demand for guaranteed receipt services and the Debtors' high fixed costs for maintaining and building out their existing networks, the most economical means for satisfying projected demand is for the Debtors to construct a fully operational narrowband PCS network with ReFLEX 25™ capability. The Debtors estimate that they will be able to complete the construction economically relative to other methods of network construction using their existing nationwide network infrastructure and supplementing it with additional transmitters and with receivers. On May 12, 1998, the Bankruptcy Court authorized the Debtors to expend up to $16 million during 1998 in connection with the buildout of the network necessary to support narrowband PCS services.

3. Paging and Messaging Services and Products.

(a) *Paging and Messaging Services.* The Debtors currently offer a variety of paging and messaging services. To send a page to a subscriber of the Debtors, a party must initiate contact with a paging terminal. This is typically accomplished, depending on the type of paging service, by use of a touch-tone telephone, with the assistance of an operator employed by or working on behalf of the Debtors or through software loaded onto the sender's personal computer, an input device or the Internet. The paging terminal then sends an encoded message to the Debtors' transmitter network, which broadcasts the call to its geographic service area. This broadcast signal is received by the subscriber's pager, which decodes the information, alerts the subscriber and displays the message received. The main paging services offered by the Debtors are:

- *Numeric (Digital Display) Paging Service.* Numeric paging service permits a caller, using a touch-tone telephone, to transmit to a subscriber a numeric message consisting of a telephone number, an account number or coded information. Numeric pagers have memory capability to store several such numeric messages which can be recalled by a subscriber when desired. As of ~~June~~ **September** 30, 1998, the Debtors had approximately 2.6 million numeric units in service.

- *Alphanumeric Paging Service.* Alphanumeric paging service allows subscribers to receive and store messages consisting of both letters and numbers. Alphanumeric pagers have sufficient memory to store numerous messages. This service has the capability to tie into computer-based networks to provide advanced messaging services. Callers may send messages either by using an operator dispatch center, a personal computer equipped with a modem and MessageSoft software or a portable alphanumeric input device, such as the AlphaMate™ manufactured by Motorola. Internet and WorldWide Web access is also possible for many alphanumeric paging customers. As of ~~June~~ **September** 30, 1998, the Debtors had approximately .6 million alphanumeric units in service.

- *Other Services.* In addition to local, regional and nationwide paging service -- both numeric and alphanumeric -- the Debtors offer a variety of enhanced services such as voice mail and voice mail notification, e-mail notification and news, sports reports and stock quotes.

(b) *Products and Services.* Subscribers for paging services enter into a service contract with the Debtors that provides for either the purchase or lease of pagers and the payment of air time and other charges. The Debtors also sell their services in bulk quantities to resellers, who subsequently sell the Debtors' services to end-users. Resellers are responsible for sales, billing, collection and equipment maintenance costs. As of ~~June~~ **September** 30, 1998, approximately ~~50%~~ **49%** of units in service were purchased either by subscribers or by resellers, and approximately ~~50%~~ **51%** were owned by the Debtors and leased to subscribers. Customer-owned and -maintained pagers and those owned by resellers do not require capital investment by the Debtors, unlike Debtor-owned pagers leased to subscribers.

The Debtors sell other products and services, including pagers and accessories and pager replacement and maintenance contracts.

4. Sales and Marketing.

(a) *General.* The Debtors' sales and marketing efforts are directed toward adding additional units with existing subscribers and identifying new potential subscribers. Subscribers to the Debtors' paging and wireless communications services generally have been individuals and organizations whose employees are highly mobile or whose business involves multiple work locations and who are required to remain in contact at all times. Traditional subscribers include medical personnel, sales and service organizations, specialty trade organizations, manufacturing organizations and governmental agencies. However, paging services are increasingly appealing to mass market consumers for private, non-business uses such as communicating with family and friends.

(b) *Sales Channels.* The Debtors market their paging services through three primary sales channels: direct, reseller and retail.

- *Direct.* In the direct channel, the Debtors lease or sell pagers directly to their customers and bill and service such customers. The Debtors' direct customers range from individuals and small- and medium-sized businesses to Fortune 500 accounts and government agencies. Business and government accounts typically exhibit lower churn rates than consumer accounts. The direct channel will continue to have the highest priority among the Debtors' marketing and sales efforts, given its critical contribution to recurring revenue and projected growth. The Debtors are engaging in efforts to improve sales productivity and strengthen their direct channel sales force, which suffered from high turnover and open positions during much of 1997. In addition, the Debtors commenced implementing consumer direct marketing techniques in 1998. As of ~~June~~ **September** 30, 1998, the direct channel accounted for approximately 79% of recurring revenue.

- *Reseller.* In the reseller channel, the Debtors sell access to their transmission networks in bulk to a third party, who then resells such services to the end users (usually consumers or small businesses). The Debtors offer paging services to resellers at bulk discounted rates. The third party reseller provides customer service, is responsible for pager maintenance and repair costs, invoices the end user and retains the credit risk of the end user, although the Debtors retain the credit risk of the reseller. Because resellers are responsible for customer equipment, the capital costs that would otherwise be borne by the Debtors are reduced.

The Debtors' resellers generally are not exclusive distributors of the Debtors' services and often resell paging services of more than one provider. Competition among service providers to attract and maintain reseller distribution is based primarily upon price, including the sale of pagers to resellers at discounted rates. Going forward, the Debtors intend to be an active participant in the reseller channel, but to concentrate on accounts that are profitable and where longer term partnerships can be established with selected resellers. As of ~~June~~ **September** 30, 1998, the reseller channel accounted for approximately 11% of recurring revenue.

- *Retail.* In the retail channel, the Debtors sell pagers to retailers and, after the consumer purchases the pager from the retailer, the consumer contacts the Debtors to activate service. The retail channel is targeted at the consumer market and consists primarily of national retail chains. Consumers served by the retail channel typically purchase (as opposed to lease) paging units, reducing the Debtors' capital investment requirements in pagers. Subscribers obtained through retailers are billed and serviced directly by the Debtors. Retail distribution permits the Debtors to penetrate the consumer market by supplementing direct sales efforts. As of ~~June~~ **September** 30, 1998, the retail channel accounted for approximately ~~10.5%~~ **10%** of recurring revenue.

5. Suppliers and Equipment Vendors.

The Debtors do not manufacture any of the pagers or related transmitting and paging terminal equipment used in their paging operations. The Debtors currently purchase pagers from a limited number of suppliers and in turn sell or lease the pagers to their subscribers. Motorola is the primary supplier of pagers to the Debtors. Glenayre is the Debtors' primary supplier of paging terminals, paging transmitters and voice mail system equipment. On February 6, 1997, the Debtors obtained Bankruptcy Court approval to pay the pre-petition outstanding accounts payable owing to their Key Suppliers, in exchange for which each of Motorola, NEC, Panasonic and Glenayre entered into post-petition supply agreements with the Debtors.

6. Assets of the Debtors.

In addition to their FCC licenses and network infrastructure (which includes radio transmission and satellite uplink equipment), the Debtors have the following categories of assets:

(a) pagers (including both pagers held as fixed assets for lease and pager inventory for sale), pager parts and accessories;

(b) their subscriber base and related accounts receivable;

(c) intellectual property;

(d) owned real estate and improvements;

(e) certain leased assets;

(f) computer and telephone systems and equipment;

(g) furniture, fixtures and equipment;

(h) the ownership of one-third of the equity of Abacus Communications Partners, L.P.;

(i) goodwill and other intangibles; and

(j) cash and cash equivalents.

7. Material Litigation and Claims against the Debtors.

(a) *Pending FCC Action*. In press releases issued on September 27 and October 21, 1996, the Debtors disclosed that misrepresentations had been made to the FCC and that other violations had occurred during the licensing process for as many as 400 to 500 authorizations, or approximately 6% to 7%, of their approximately 8,000 local transmission one-way paging stations. The Debtors caused an investigation to be conducted by their outside counsel, and a comprehensive report regarding these matters was provided to the FCC on October 15, 1996. In cooperation with the FCC, outside counsel's investigation was expanded to examine all of the Debtors' nationwide paging licenses, and the results of that investigation were submitted to the FCC on November 8, 1996. Since November 8, 1996, the Debtors have continued to provide additional information to the FCC.

On January 13, 1997, the FCC issued a Public Notice relating to the status of certain FCC authorizations held by the Debtors. In the Public Notice, the FCC announced that it had (i) automatically terminated approximately 185 authorizations for paging facilities that were not constructed by the expiration date of their construction permits and remained unconstructed, (ii) dismissed approximately 93 applications for fill-in sites around existing paging stations (which had been filed under the "40-mile rule") as defective because they were predicated upon unconstructed facilities and (iii) automatically terminated approximately 99 other authorizations for paging facilities that were constructed after the expiration date of their construction permits. With respect to the constructed stations, the Public Notice permitted the Debtors to continue to operate those stations on an interim basis until further action by the FCC.

On April 8, 1997, the FCC issued an Order commencing an administrative hearing to inquire into the qualification of the Debtors to remain an FCC licensee. The Order directed an administrative law judge ("ALJ") to take evidence and develop a full factual record on issues concerning the Debtors' filing of false forms and applications in connection with their applications for paging licenses. While the Order initiated a fact-finding and evaluative hearing process to gather information with which to make a decision, the FCC directed the ALJ to make a recommended decision only as to factual matters. Decisions as to the conclusions of law, the disposition of the case and any appropriate sanctions were reserved to the FCC. During the proceeding, the Debtors would continue to operate in the ordinary course and provide uninterrupted service to customers.

On April 23, 1997, the Debtors filed a motion with the ALJ seeking a stay of the hearing proceedings instituted by the April 8 Order. The Debtors sought the stay on the ground that, absent a stay, the uncertainty created by the hearing process would likely inflict material irreparable damage on the Debtors' business. In the motion, the Debtors also sought confirmation that the Debtors' operations could be preserved through an assignment or transfer of control of the Debtors' Licenses consistent with an FCC doctrine known as Second Thursday.[11] On May 5, 1997, the ALJ denied the Debtors' motion for a stay.

On June 6, 1997, as a result the Debtors' request for FCC review of the ALJ's order, the FCC issued a ten-month stay of the hearing. The ten-month stay is intended to provide the Debtors with an opportunity to comply with the FCC's Second Thursday doctrine. The Second Thursday doctrine balances the FCC's interests with the Code's policies of preserving value for creditors by permitting a company to transfer its licenses as long as the individuals charged with misconduct (i) would have no part in the proposed operations and (ii) would receive either no benefit from the transfer or only a minor benefit that would be outweighed by equitable considerations in favor of innocent creditors. The Debtors believe they will satisfy the requirements of Second Thursday pursuant to the proposed Plan. FCC approval of the transfer of the Debtors' licenses pursuant to the Plan is a condition to effectiveness of the Plan. Such approval, if granted, will terminate the pending proceedings into the Debtors' qualification to remain an FCC licensee. On March 27, 1998, the Debtors filed a request with the FCC to extend the ten-month stay for an additional six months, in order to provide the Debtors with sufficient

[11] This policy derives from the FCC's decision in In re Second Thursday Corp., 22 F.C.C.2d 515 (1970), reconsideration granted in part, 25 F.C.C.2d 112 (1970).

time to complete their reorganization process and to continue discussions among the various partes in interest. This extension request was granted by the FCC on June 4, 1998.

On September 2, 1998, MobileMedia and Arch filed a joint Second Thursday application. MobileMedia believes the Plan satisfies the conditions of Second Thursday. On October 5, 1998, a supplement was filed to notify the FCC of certain modifications to the Plan and the Merger Agreement. The application was accepted for filing by public notice dated October 15, 1998. On October 16, 1998, MobileMedia and Arch filed a joint supplement of data requested by the staff of the Wireless Telecommunications Bureau to assist in their evaluation of the application. Public comments on the Second Thursday application were due November 16, 1998. On that date, the FCC's Wireless Telecommunications Bureau and the Pre-Petition Lenders filed comments generally supporting grant of the application and Orbital Communications Corporation submitted brief informal comments opposing the application's request to terminate the hearing and to waive the application fees. MobileMedia, Arch, and the Pre-Petition Lenders each submitted timely reply comments on or before November 27, 1998 and David A. Bayer submitted a brief informal response to Orbital's letter. The designated pleading cycle on the Second Thursday application is now closed.

(b) *Securities Class Actions*. Prior to the Petition Date, five actions allegedly arising under the federal securities laws were filed against MobileMedia and certain of its officers, directors and underwriters in the United States District Court for the District of New Jersey. These actions were subsequently consolidated as In re MobileMedia Securities Litigation, No. 96-5723 (AJL) (the "New Jersey Actions"). A consolidated amended complaint (the "Complaint") was filed on November 21, 1997. The Complaint does not name MobileMedia as a defendant, but alleges that (i) certain former officers of MobileMedia deceived the investing public in violation of section 10(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Rule 10b-5 promulgated thereunder and section 20(b) of the Exchange Act by making false statements or omissions in press releases and public filings between June 29, 1995 and September 27, 1996 (the "Class Period"), and (ii) certain officers, directors and underwriters of MobileMedia violated sections 11, 12(a)(2) and 15 of the Securities Act of 1933 (the "Securities Act") by failing to disclose information in offering documents filed with the Securities and Exchange Commission (the "SEC") on or around November 7, 1995 in connection with the secondary offering of MobileMedia common stock and 9⅜% Notes.

The plaintiffs in the New Jersey Actions allege that, as a result of alleged misrepresentations, purchasers of MobileMedia common stock and 9⅜% Notes suffered hundreds of millions of dollars in damages as the truth concerning, among other things, the severe problems with MobileMedia's growth strategy and its submission of false license applications to the FCC began to emerge and the price of MobileMedia securities dropped.

In June 1997, the Debtors initiated an Adversary Proceeding in the Bankruptcy Court to stay the prosecution of the New Jersey Actions. The basis of the Debtors' motion for a stay was, inter alia, that the continued prosecution of the New Jersey Actions would interfere with the Debtors' efforts to reorganize and would deplete the assets of the estate.

Pursuant to a Stipulation entered into among the Debtors and the plaintiffs in the New Jersey Actions and "So Ordered" by the Bankruptcy Court on October 31, 1997, the plaintiffs in the New Jersey Actions ~~may~~ **could** conduct only limited discovery in connection with the New Jersey Actions and ~~may~~ **could** not file any pleadings, except responses to motions to dismiss, until the earlier of September 30, 1998 and the Effective Date of the Plan. Subsequent to the expiry of this stay, the New Jersey Actions ~~will be~~ **were** allowed to proceed against the named defendants. **On October 21, 1998, the district court denied a motion to dismiss that had previously been filed by the defendants in the New Jersey Actions.**

In addition to the New Jersey Actions, two lawsuits were filed in September 1997 in the United States District Court for the Northern District of California and the Superior Court of California naming as defendants certain former officers and certain present and former directors of MobileMedia, certain investment entities and Ernst & Young LLP. None of the Debtors is named as a defendant in these two actions. The actions are styled Allen T. Gilliland Trust v. Hellman & Friedman Capital Partners II, L.P., Civil Action No. 97-3543 (N.D. Cal. 1997), and Allen T. Gilliland Trust v. Hellman & Friedman MobileMedia Partners, L.L.C., Case No. 989891 (Cal. Super. Ct. 1997) (together, the "California Actions" and, together with the New Jersey Actions, the "Securities Actions"). The plaintiffs in the California Actions are or were shareholders of MobileMedia who purchased stock during 1995 and 1996 and allege that MobileMedia, through the actions of the named defendants, violated federal securities laws, various provisions of the California Corporations Code and California state law in connection with the sale of MobileMedia's securities and in various public filings.

On November 4, 1997, the Debtors commenced an adversary proceeding in the Bankruptcy Court seeking to stay the prosecution of the California Actions against the named defendants. At a hearing held on December 10, 1997, the Bankruptcy Court enjoined the plaintiffs in the California Actions until May 31, 1998 from prosecuting the California Actions, except that the Bankruptcy Court permitted the plaintiffs in the California Actions to prosecute and respond to certain legal motions and to request documents of defendants and non-parties who do not currently serve on the Board of MobileMedia.

On May 15, 1998, the Debtors filed a motion with the Bankruptcy Court seeking an extension of the stay in connection with the California Actions. Subsequent to negotiations with the plaintiffs in the California Actions, the Debtors submitted an agreed form of order that ~~bars~~ **barred** certain types of discovery until September 15, 1998. This order was entered by the Bankruptcy Court on May 29, 1998. Subsequent to the expiry of this stay, the California Actions ~~will be~~ **were** allowed to proceed against the named defendants.

Neither the New Jersey Actions nor the California Actions name any of the Debtors as a defendant. However, proofs of claim have been filed against the Debtors by the plaintiffs in the New Jersey Actions, and both the New Jersey Actions and the California Actions may give rise to claims against the Debtors' Directors, Officers and Corporate Liability Insurance Policy. As to the Debtors, however, these Claims (and related claims for indemnification) are classified in Classes 7 and 8, and will receive no distributions under the Plan.

(c) *Bankruptcy Claims.* Since the June 16, 1997 bar date established by the Bankruptcy Court for filing proofs of claim in the Cases, the Debtors have been actively involved in resolving the claims filed against their estates. As of ~~July 31~~ **September 30**, 1998, more than 2,400 proofs of claim had been filed in the Cases. Approximately ~~1,260~~ **1,292** of these claims, filed in an aggregate amount of approximately ~~$91.4~~ **$110.8** million, have already been resolved by order of the Bankruptcy Court at an aggregate allowed amount of approximately ~~$3.65~~ **$5.51** million. As of ~~July 31~~ **September 30**, 1998, the Debtors had also analyzed and resolved an additional ~~855~~ **860** proofs of claim, representing an aggregate allowed amount of ~~$5.3~~ **$6.7** million. Excluding claims filed by or on behalf of the Pre-Petition Lenders, the holders of the Notes and taxing authorities, there are fewer than ~~40~~ **30** unresolved filed claims over $100,000, which claims have an aggregate filed value of less than ~~$30~~ **$25** million. The Debtors have already filed objections with the Bankruptcy Court to certain of these claims and are currently in the process of reconciling and resolving those remaining. The Debtors believe that, once resolved, the aggregate allowed amount of these remaining claims will be substantially less than ~~$30~~ **$25** million.

The Debtors also are in the process of reconciling and resolving the tax claims filed against their estates. These tax claims were filed in an aggregate amount of approximately $30 million. The Debtors anticipate that these claims will be allowed in an amount substantially less than the filed amount.

8. Regulatory Matters.

(a) *FCC Regulation.* The paging licenses granted to the Debtors by the FCC are for varying terms of up to 10 years, at the end of which renewal applications must be approved by the FCC. In the past, paging license renewal applications generally have been granted by the FCC upon a showing of compliance with FCC regulations and of adequate service to the public. It is possible that there may be competition for radio spectrum associated with licenses as they expire, thereby increasing the chances of third party interventions in the renewal proceedings. Other than those still pending, the FCC has thus far granted each license renewal that the Debtors have filed. Almost all of the Debtors' FCC paging, business, earth station and air-to-ground licenses will expire in 1998 and 1999. The Debtors' nationwide PCS license will expire in September 2004 and their regional narrowband PCS licenses will expire in April 2005. In addition, the Debtors' narrowband PCS licenses require that the Debtors construct base stations meeting certain population coverage requirements within five and ten years of the initial license grants, respectively. As discussed in Section II.A.2.(c), the Debtors intend to build out their narrowband PCS license infrastructure to meet these requirements.

The Communications Act of 1934, as amended (the "Communications Act"), requires radio licensees such as the Debtors to obtain prior approval from the FCC for the assignment or transfer of control of any construction permit or station license or authorization or any rights thereunder. This statutory requirement attaches to acquisitions of other paging companies (or other radio licensees) by the Debtors and transfers by the Debtors of a controlling interest in any of their licenses, construction permits or any rights thereunder. In addition, prior FCC approval would be required in connection with any transfer of control of the Debtors or, in certain circumstances, the acquisition of fifty percent (50%) or more of the equity of the Debtors by a single entity or two or more entities under common control, or the transfer of de facto control of the Debtors. On February 13, 1997, in connection with the filing of the Cases, the Debtors sought a grant of permission from the FCC to execute an involuntary, pro forma assignment of their licenses to the Debtors as debtors-in-possession. On March 3, 1997, the FCC granted such permission with respect to the Debtors' earth stations, on April 3, 1997, the FCC granted such permission for the assignment of the Debtors' microwave licenses and on May 26, 1998 and July 17, 1998, the FCC granted such permission with respect to the Debtors' paging, air-to-ground and narrowband PCS licenses. In addition, as noted above, FCC approval of the transfer of the Debtors' licenses pursuant to the Plan and the Merger Agreement is a condition to effectiveness of the Plan and the Merger Agreement.

In a rulemaking proceeding pertaining to interconnection between local exchange carriers ("LECs") and commercial mobile radio service ("CMRS") providers such as the Debtors, the FCC has concluded that LECs are required to compensate CMRS providers for the reasonable costs incurred by such providers in terminating traffic that originates at LEC facilities, and vice versa. Consistent with this ruling mandating compensation for carriers terminating LEC-originated traffic, the FCC has determined that LECs may not charge a CMRS provider or other carrier for terminating LEC-originated traffic or for dedicated facilities used to deliver LEC-originated traffic to one-way paging networks. Nor may LECs charge CMRS providers for number activation and use fees. In September and October of 1997, the Debtors provided notice to each of the LECs with which they do business that the Debtors would no longer be paying such charges and that the LECs should cease invoicing the Debtors for such charges, and requested that the LECs provide the Debtors with refunds of these charges that were invoiced and paid by the Debtors after the effectiveness of the FCC's orders. Certain LECs, in compliance with the FCC's orders, have ceased charging the Debtors and are cooperating with the Debtors in assessing refunds. Other LECs have refused to comply with the Debtors' request and have disagreed verbally and in writing with the Debtors' interpretation of the FCC's orders. These items are still in dispute, and it is unclear whether the FCC will maintain its current position.

Depending on further FCC disposition of these issues, the Debtors may or may not be successful in securing refunds, future relief or both, with respect to charges for termination of LEC-originated local traffic. If these issues are ultimately resolved by the FCC in the Debtors' favor, then the Debtors will pursue relief through settlement negotiations, administrative complaint procedures or both. If these issues ultimately are decided in favor of the LECs, the Debtors likely would be required to pay all past due contested charges and may also be assessed interest and late charges for the withheld amounts. For a further discussion of regulatory matters, see Section IV.G.9.

(b) *State Regulation.* As a result of the enactment by Congress of the Omnibus Budget Reconciliation Act of 1993 (the "Budget Act") in August 1993, the states are now generally preempted from exercising rate or entry regulation over any of the Debtors' operations. States are not preempted, however, from regulating "other terms and conditions" of CMRS. Thus, to the extent any states have authority to regulate "other terms and conditions" of paging service (e.g., financing regulations, hearing complaints, universal service contributions), the Budget Act does not preempt them from exercising such regulatory authority. Legislation is currently in effect in Texas requiring paging companies to contribute a portion of their taxable telecommunications revenues to a Telecommunications Infrastructure Fund created by the state legislature. Certain other states, including Alabama, Georgia, Hawaii, South Carolina and Tennessee, impose various regulations on certain paging operations of the Debtors. State regulations may require the Debtors to submit for prior approval the terms and conditions (other than rates) under which they plan to provide service or to secure approval for the issuance of securities or the entry into financing arrangements. Those states that regulate paging services also may require the Debtors to obtain prior approval of the acquisition of controlling interests in other paging companies. At this time, the Debtors are not aware of any proposed state legislation or regulations that would have a material adverse impact on the Debtors' existing operations.

9. Trademarks.

The Debtors market their services primarily under the trade name MobileComm and the federally registered mark MOBILECOMM®, except in the Greater Metropolitan Cincinnati area and in certain parts of Western Pennsylvania and Western New York, in which they market their services under the federally registered mark MOBILEMEDIA. The Debtors market their messaging services under the federally registered mark VOICESTOR®, and other services under the federally registered mark SPORTSCASTER® and the unregistered mark MOBILECOMM CITYLINK. The Debtors also own other marks that are registered with the United States Patent and Trademark Office ("USPTO"), including: DIAL PAGE, DMC DIGITAL MOBILE COMMUNICATIONS, EZ ALERT, MEMORY MANAGER, MESSAGESOFT, MOBILEMEDIA & Design, MOBILEMEDIA & Design (Globe), MOBILEMEDIA PAGING & PERSONALCOM and PAGERXTRA.

In addition, the Debtors have applications on file with the USPTO for the marks MMS and MOBILECOMM & Design.

B. The Debtors' Operations in Chapter 11

1. <u>Overview of the Debtors' Operations</u>.

Since the Petition Date, the Cases have been pending before the Honorable Peter J. Walsh, United States Bankruptcy Judge for the District of Delaware. During this period, the Debtors have functioned as debtors-in-possession pursuant to sections 1107 and 1108 of the Code and have continued to operate their business. The Bankruptcy Court has exercised supervisory powers over the operations of the Debtors with respect to the employment of attorneys, investment bankers and other professionals, and transactions out of the Debtors' ordinary course of business or otherwise requiring bankruptcy court approval under the Code. The Debtors have been paying undisputed obligations that have arisen subsequent to the Petition Date on a timely basis.

2. <u>Retention of Professionals and Appointment of Committee</u>.

(a) *The Debtors' Retention of Counsel.* As of the Petition Date, the Bankruptcy Court authorized the Debtors' retention of Sidley & Austin and Young Conaway Stargatt & Taylor, LLP, as reorganization counsel for the Debtors, and the retention of Latham & Watkins, as special counsel for the Debtors. In addition, the Debtors have retained, with Bankruptcy Court approval, the law firms of Wiley, Rein & Fielding and Koteen and Naftalin as FCC counsel, and Gerry, Friend & Sapronov LLP, as telecommunications counsel.

(b) *The Debtors' Retention of Other Professionals.* Also as of the Petition Date, the Bankruptcy Court approved the employment of Alvarez & Marsal, Inc. and Ernst & Young LLP, as restructuring advisors and accountants, respectively, for the Debtors. The Debtors' Chairman-Restructuring and Chief Financial Officer are both affiliated with Alvarez & Marsal, Inc. On July 10, 1997, the Bankruptcy Court approved the Debtors' retention of The Blackstone Group, L.P. ("Blackstone"), as financial advisors and investment bankers.

(c) *Appointment of Official Committee and the Retention of Professionals Thereby (at Debtors' expense).* On February 10, 1997, the Office of the United States Trustee for the District of Delaware (the "U.S. Trustee") appointed the Committee. The current members of the Committee are as follows:

First Trust New York National Association
State Street Bank and Trust Company
The Huff Alternative Income Fund, L.P.
c/o W.R. Huff Asset Management Co., LLC
The Northwestern Mutual Life Insurance Company
Mountain Dew Marketing, Inc.
Intek Telecommunications, Inc.

The Committee has been active in the day-to-day course of the Cases. The Committee received authorization to retain and has retained the law firms of Jones, Day, Reavis & Pogue and Morris, Nichols, Arsht & Tunnel, as co-counsel, and Paul, Weiss, Rifkind, Wharton & Garrison, as FCC counsel. The Committee also received authorization to retain and has retained Houlihan Lokey Howard & Zukin as financial advisors and investment bankers. The fees and expenses of the Committee's professionals are paid by the Debtors.

3. Operating Results During Chapter 11.

Since the Petition Date, the Debtors have filed Monthly Operating Reports with the U.S. Trustee. These Operating Reports are public documents and are available at the Office of the U.S. Trustee.

As of ~~June~~ **September** 30, 1998, there were no outstanding funded borrowings under the DIP Facility (described below) and the Debtors had approximately ~~$11.6~~ **$9.8** million in cash and cash equivalents on hand.

4. Summary of Significant Orders Entered and Other Actions Taken During the Cases.

As in any major chapter 11 case, certain motions, applications and orders have been filed and entered on the Bankruptcy Court's official docket. The following information relates to certain significant events in the Cases.

(a) *DIP Facility*. On the Petition Date, the Bankruptcy Court provided interim authority for the Debtors' entry into a Revolving Credit and Guarantee Agreement dated as of January 30, 1997 (as amended, the "DIP Credit Agreement") that provided for a $200 million secured, superpriority post-petition financing facility (the "DIP Facility") with a number of financial institutions (the "DIP Lenders") and The Chase Manhattan Bank, as agent for the DIP Lenders (the "DIP Agent"). On February 19, 1997, the Debtors obtained final approval of the DIP Facility. In accordance with the terms of the various orders approving the DIP Facility (the "DIP Approval Orders"), the Debtors have been paying interest and fees to the DIP Lenders in accordance with the terms of the DIP Facility and have made monthly payments, in an amount equal to the interest accruing at the non-default rate under the 1995 Credit Agreement, to the Pre-Petition Lenders as adequate protection for the priming liens granted to the DIP Lenders and for the use of cash collateral. Through ~~June~~ **September** 30, 1998, the Debtors had paid $1.6 million in interest to the DIP Lenders and ~~$94.18~~ **$108** million in adequate protection payments to the Pre-Petition Lenders, in each case in accordance with the DIP Approval Orders. The initial payment to the Pre-Petition Lenders included the payment of amounts in arrears from October 7, 1996 through the Petition Date in accordance with the initial DIP Approval Order. During the Cases, the Debtors have borrowed and repaid various amounts under the DIP Facility. As of ~~June~~ **September** 30, 1998, there were no outstanding funded borrowings under the DIP Facility.

Pursuant to the terms of the DIP Credit Agreement, the DIP Facility was to mature on January 30, 1998 unless, on or before December 31, 1997, the Debtors filed a plan of reorganization satisfactory to two-thirds in amount and one-half in number of the DIP Lenders, in which case the Maturity Date under and as defined in the DIP Credit Agreement would automatically be extended to July 31, 1998. No such plan was filed by December 31, 1997, but, pursuant to a Fourth Amendment to the DIP Credit Agreement dated January 22, 1998, the DIP Lenders agreed to extend the maturity of the DIP Facility until July 31, 1998, and, at the request of the Debtors, the facility was reduced to $100 million. Interim approval of the extension of the DIP Facility was granted by the Bankruptcy Court on January 27, 1998, which approval became final on February 13, 1998. Pursuant to a Seventh Amendment to the DIP Credit Agreement dated July 23, 1998, the DIP Lenders agreed to extend the maturity of the DIP Facility until March 31, 1999 and, at the request of the Debtors, the facility was further reduced to $75 million. Interim approval of this second extension and reduction of the DIP Facility was granted by the Bankruptcy Court on July 28, 1998, which approval became final on August 12, 1998.

The Chase Manhattan Bank, as Pre-Petition Agent and DIP Agent, has remained active in the day-to-day course of the Cases. Moreover, in its capacity as DIP Agent, The Chase Manhattan Bank has retained certain advisors, including Simpson Thacher & Bartlett and Richards, Layton & Finger, as co-counsel, and Wilmer Cutler & Pickering, as FCC counsel. The DIP Agent has also retained Arthur Andersen LLP and Chilmark Partners as financial advisors. The costs of these professionals are being borne by the Debtors in accordance with the terms of the DIP Credit Agreement and the DIP Approval Orders.

(b) *Exclusivity Orders.* Upon motions of the Debtors, the Bankruptcy Court extended the Debtors' exclusive periods for filing a plan of reorganization and soliciting acceptances thereof to January 27, 1998 and March 30, 1998, respectively. ~~As noted above, the~~ **The** Standalone Plan (defined below) was filed on January 27, 1998, within the exclusive filing period. By order of the Bankruptcy Court entered March 18, 1998, the Debtors' exclusive solicitation period was extended until June 30, 1998; by order dated June 25, 1998, the Debtors' exclusive solicitation period was extended until July 31, 1998. By order dated August 14, 1998, the Debtors' exclusive solicitation period was extended until September 30, 1998. The Plan was filed prior to the expiration of exclusivity. On September 10, 1998, the Debtors filed a motion to extend until December 31, 1998 their exclusive solicitation period**, which motion was granted on September 24, 1998. On December 3, 1998, the Debtors filed a motion to extend until March 31, 1999 their exclusive solicitation period. A hearing on this motion is currently scheduled for [December 16, 1998]**.

(c) *Customer, Key Supplier and Employee Orders.* On the Petition Date, the Bankruptcy Court also entered orders allowing the Debtors (i) to pay certain customer refunds and deposits in the ordinary course of business, (ii) to pay wages, salaries and benefits owing to employees, and (iii) to pay specified pre-petition taxes owing to various governmental entities. On February 6, 1997, the Bankruptcy Court entered an order authorizing the Debtors to pay approximately $46 million in pre-petition amounts owing to the Key Suppliers. On January 8, 1998, the Bankruptcy Court authorized the Debtors to enter into a telecommunications contract with MCI Telecommunications Corporation that effects the consolidation of the Debtors' long-distance telephone service and which the Debtors estimate will result in cost savings for the Debtors of up to $10 million over its 21-month term.

On April 3, 1997, the Bankruptcy Court authorized the Debtors to implement a new severance plan, and on May 2, 1997, the Bankruptcy Court authorized the Debtors to pay up to $3.1 million on account of their 1996 employee bonus program. On June 4, 1997, the Bankruptcy Court authorized the Debtors to employ Ronald R. Grawert as their Chief Executive Officer and approved a compensation package in respect of the services of Joseph A. Bondi, the Debtors' Chairman-Restructuring. On March 18, 1998, the Bankruptcy Court approved the Debtors' 1997 bonus incentive plan, which permitted the Debtors to make payments up to an aggregate amount of $6.9 million to all of the Debtors' full-time, non-commission-based employees. On June 25, 1998, the Bankruptcy Court authorized the Debtors to make up to $7.6 million in payments under their 1998 bonus incentive plan. The Debtors expect to make the payments earned under this plan in the second quarter of 1999.

On April 22, 1998, the Debtors filed a motion seeking authority to undertake the buildout of the network necessary to support narrowband PCS services. An order authorizing the Debtors to enter in contracts during 1998 obligating the Debtors to pay up to $16 million in connection with this buildout was entered by the Bankruptcy Court on May 12, 1998.

(d) *Administrative Orders.* On the Petition Date, the Bankruptcy Court granted the Debtors' motion to extend the Debtors' time to file their Schedules of Assets, Liabilities and Executory Contracts, and the Statement of Financial Affairs. The joint Schedules of Assets, Liabilities and Executory Contracts, and the joint Statement of Financial Affairs were filed with the Bankruptcy Court on March 26, 1997, and were amended by the Debtors' First, Second ~~and~~, Third **and Fourth** Amendments to Schedules of Assets, Liabilities and Executory Contracts (as so amended, the "Schedules").

On March 20, 1997, the Bankruptcy Court entered an order setting a bar date of June 16, 1997 for the filing of certain proofs of claim.

On March 18, 1998, the Bankruptcy Court authorized the Debtors to pay up to $7 million on account of the Debtors' pre-petition property taxes. As of ~~July 15~~ **September 30**, 1998, the Debtors had paid approximately ~~$6.1~~ **$6** million on account of pre-petition property tax claims **(net of refunds received thereon)**.

(e) *Real Property and other Leases.* The Bankruptcy Court has extended the period during which the Debtors can decide whether to assume or reject non-residential real property leases of the Debtors to the confirmation date of the Plan. During the course of the Cases, the Debtors have obtained Bankruptcy Court approval to reject certain specified leases. As of ~~June~~ **September** 30, 1998, ~~121~~ **134** leases had been rejected with

Bankruptcy Court approval.

On January 22, 1998, the Bankruptcy Court approved the Debtors' entry into a lease with Miller Freeman, Inc. (the "Fort Lee Lease"). Pursuant to the Fort Lee Lease, the Debtors relocated their headquarters to Fort Lee, New Jersey as of March 23, 1998, resulting in cost savings to the Debtors of approximately $3 million over the term of the Fort Lee Lease. On March 18, 1998, the Bankruptcy Court approved the assignment of the lease for the premises that previously served as the Debtors' headquarters.

On April 14, 1998, the Bankruptcy Court approved the Debtors' motion to assume the lease for the premises that serves as their Dallas, Texas customer service center.

(f) *Administrative Claims.* Administrative expenses payable in the Cases include, among other things, fees and expenses of attorneys, accountants, financial advisors and other professionals retained by the Debtors, the Committee and the DIP Agent in connection with the Cases (collectively, the "Case Professionals"). Such fees are calculated generally as the product of the customary hourly billing rates and the aggregate hours billed by such Case Professionals. Some financial advisors are paid a monthly fee plus expenses incurred, rather than on an hourly basis. As of ~~June~~ **September** 30, 1998, ~~$25.5~~ **$33.1** million had been paid to Case Professionals on account of work performed subsequent to the Petition Date.

All unpaid fees of the U.S. Trustee will be paid on the Effective Date. Such fees have been paid as they accrued during the pendency of the Cases.

(g) *Sale of Owned Tower Assets.* On July 7, 1998, the Debtors executed an agreement, subject to Bankruptcy Court approval, to sell the Debtors' transmission towers and associated assets ("Tower Assets") to Pinnacle Towers Inc. ("Pinnacle"), and to rent from Pinnacle transmitter space on the Tower Assets (the "Tower Transaction"). The purchase price for the Tower Assets was $170 million, and the projected annual rental stream to be paid by the Debtors to Pinnacle is approximately $10.7 million.

The Tower Transaction was the product of an extensive marketing and bidding process conducted by the Debtors and Blackstone. Prior to executing the agreement with Pinnacle, Blackstone, on behalf of the Debtors, contacted approximately 40 potential buyers of the Tower Assets and executed confidentiality agreements with, and distributed Tower Asset information to, approximately 30 of these potential buyers. After the potential buyers' review of public and non-public operating and financial information concerning the Tower Assets, Blackstone requested preliminary expressions of interest from such third parties including, but not limited to, their proposed acquisition price for the Tower Assets and sources of financing for the acquisition. Subsequent to the Debtors' receipt and review of preliminary expressions of interest, potential purchasers continued to conduct due diligence, including on-site review of the Tower Assets. During such period, Blackstone continued to negotiate with Pinnacle and other potential purchasers the respective terms and conditions for the Acquisition of the Tower Assets. After extensive negotiations, the Debtors and Blackstone determined that Pinnacle's offer represented the highest and best offer.

In connection with the agreement to sell the tower assets to Pinnacle, the Debtors filed two motions on July 14, 1998. One motion sought to establish procedures for bidding on the Tower Assets, including establishing a bidding deadline of August 7, 1998, and provided for liquidated damages and the reimbursement of expenses to Pinnacle under certain circumstances. This relief was granted on July 23, 1998. No bids were received by the bidding deadline. The second motion sought Bankruptcy Court approval of the Tower Transaction, and authority to pay the sale proceeds to the Pre-Petition Lenders. The relief requested in this Motion was granted on August 10, 1998. The Tower Transaction was closed on September 3, 1998, and the cash proceeds of $170 million were paid to the Pre-Petition Lenders on the same day.

(h) *Potential Committee Litigation.* At a hearing held before the Bankruptcy Court on January 27, 1998, counsel to the Committee indicated its intention immediately to serve discovery demands in connection with a potential objection to the Debtors' initial Joint Plan of Reorganization Plan filed on January 27, 1998 (the "Standalone Plan"). The Committee's ex parte order authorizing discovery under Bankruptcy Rule 2004 was approved by the Bankruptcy Court on February 5, 1998, and the Committee subsequently served subpoenas for the production of documents on MobileMedia and other parties. If the Plan is confirmed, this litigation will terminate.

(i) *Agreement with Committee.* Under an agreement dated as of August 18, 1998 between the Debtors and the Committee (the "Committee Agreement"), the Debtors cannot, without either the consent of the Committee or the approval of the Bankruptcy Court: (a) terminate the Merger Agreement or withdraw the Plan; (b) knowingly take any action that would give Arch the right to terminate the Merger Agreement; (c) agree to any material modification to the Merger Agreement; or (d) make any material modification to the Plan. In addition, the Committee has the right to request that the Debtors terminate the Merger Agreement and, if the Debtors disagree with such termination, to request that the Bankruptcy Court order the Debtors to do so. **Pursuant to a separate agreement among the Debtors, Arch and the Committee dated December 1, 1998, subject to the termination right set forth therein, the Committee agreed to support the Plan and to recommend that all unsecured creditors vote to accept the Plan. In addition, this agreement bars the Committee members from soliciting alternate business combinations for the Debtors and from providing any non-public information concerning the Debtors to any person or entity, subject to their fiduciary duties.**

(j) *Approval of Initial Merger Motion.* On August 20, 1998, as required by the Merger Agreement, the Debtors filed a motion (the "Initial Merger Motion") seeking Bankruptcy Court approval of the provisions of the Merger Agreement that relate to the Debtors' and Arch's agreements to pay to one another "breakup fees" in certain circumstances, to the Debtors' agreement to pay $500,000 to Arch in partial reimbursement of Arch's expenses in connection with the negotiation and execution of the Merger Agreement and to the exclusive dealing provisions of the Merger Agreement. The Initial Merger Motion also sought the approval of the Bankruptcy Court for the Debtors' agreement to waive their rights to assert claims against Arch's accountants in connection with such accountants having provided Ernst & Young, LLP, the Debtors' accountants, access to certain confidential work papers in connection with the due diligence of Arch undertaken by the Debtors. Finally, the Initial Merger Motion sought approval of the Committee Agreement. The Bankruptcy Court granted the relief requested in the Initial Merger Motion at a hearing held on September 4, 1998.

III. BUSINESS OF ARCH

Arch, a Delaware corporation, is a leading provider of wireless messaging services, primarily paging services, and is the ~~second~~ **third** largest paging company in the United States~~;~~ based on ~~EBITDA.~~ **pagers in service.** Arch had ~~4.1~~ **4.2** million pagers in service at ~~June~~ **September** 30, 1998. Arch operates in 41 states and more than 180 of the 200 largest markets in the United States. Arch offers local, regional and nationwide paging services employing digital networks covering approximately 85% of the United States population. Arch offers four types of paging services through its networks: digital display, alphanumeric display, tone-only and tone-plus-voice. Arch also offers enhanced and complementary services, including voice mail, personalized greeting, message storage and retrieval, pager loss protection and pager maintenance.

Arch has achieved significant growth in pagers in service and EBITDA through a combination of internal growth and acquisitions. From January 1, 1995 through ~~June~~ **September** 30, 1998, Arch's total number of subscribers grew at a compound rate on an annualized basis of ~~79%~~ **73.1%**. For the same period on an annualized basis, Arch's compound rate of internal subscriber growth (excluding pagers added through acquisitions) was ~~56.1%~~ **52.8%**. From commencement of operations in September 1986, Arch has completed 33 acquisitions representing an aggregate of 1.7 million pagers in service at the time of purchase. ~~For the twelve months ended June 30, 1998, Arch's total revenues were $408.2 million, representing a compound growth rate on an annualized basis of 61.7% since January 1, 1995. For the same period, Arch's EBITDA was $136.2 million, representing a compound growth rate on an annualized basis of 78.4% since January 1, 1995.~~

Arch's strategic objective is to strengthen its position as one of the leading nationwide paging companies in the United States. Arch believes that larger, multi-market paging companies enjoy a number of competitive advantages, including: (i) operating efficiencies resulting from more intensive utilization of existing paging systems; (ii) economies of scale in purchasing and administration; (iii) broader geographic coverage of paging systems; (iv) greater access to capital markets and lower costs of capital; (v) the ability to obtain additional radio spectrum; (vi) the ability to offer high-quality services at competitive prices; and (vii) enhanced ability to attract and retain management personnel. Arch believes that the current size and scope of its operations afford it many of these advantages and that it has the scope and presence to effectively compete on a national level.

IV. ACQUISITION OF THE DEBTORS BY ARCH AND FUTURE BUSINESS OF THE REORGANIZED DEBTORS

A. Attempts to Sell Debtors' Business

During the pendency of the Cases, Blackstone, the Debtors' financial advisors and investment bankers, conducted an extensive search for a third party purchaser of the Debtors' business. To this end, Blackstone met with representatives of prospective purchasers, and a number of prospective purchasers conducted "due diligence" reviews of the Debtors. By letter dated August 26, 1997, the Debtors formally solicited preliminary proposals from prospective purchasers. In response, the Debtors received preliminary conditional proposals from certain prospective purchasers, including a proposal received from Arch by letter dated September 24, 1997. Upon receipt of the proposals, the Debtors' management and Blackstone provided the financial advisors to the Committee and the Pre-Petition Agent with information regarding the proposals, and engaged in discussions with the Committee and the Pre-Petition Agent (and their respective advisors) regarding the proposals. At the same time, the Debtors and Blackstone had numerous conversations with the parties making the proposals in order to clarify the terms of the proposals and to provide such parties with the Debtors' reactions to the proposals.

Subsequent to these discussions, the Debtors and Blackstone engaged in further extensive negotiations and discussions with various parties that had expressed an interest in a business combination with the Debtors. The Debtors and their professionals assisted these parties in conducting further due diligence on the Debtors. On January 27, 1998, having determined that none of the proposals received from third parties were superior to the standalone plan of reorganization that the Debtors had formulated, the Debtors filed the Standalone Plan. The Standalone Plan had the support of the Agent for the Debtors' Pre-Petition Lenders but was opposed by the Committee.

Subsequent to the filing of the Standalone Plan, various third parties contacted the Debtors regarding possible transactions and the Debtors continued to engage in discussions and negotiations with such parties. By letter dated March 17, 1998, Arch (having entered into a preliminary agreement with Huff, Northwestern (each as defined below) and the Committee regarding a potential transaction relating to the Debtors) submitted a revised proposal for a business combination with the Debtors. Subsequent to that date, Arch and the Debtors each conducted due diligence and Arch, the Debtors, the Pre-Petition Agent and the Committee engaged in lengthy negotiations in connection with the form and terms of the proposed transaction and the form and amount of the consideration to be provided by Arch.

After an extended period of negotiation and analysis, and after consultation with the Committee and the Pre-Petition Agent and their respective financial advisors, the Debtors determined that the agreement ~~ultimately~~ reached with Arch (as reflected in the Merger Agreement prior to the ~~First Amendment and in the Prior Plan)~~ amendments thereto) represented the highest and best offer received and was superior to the Standalone Plan. On August 20, 1998, the Debtors filed ~~the Prior Plan~~ a First Amended Joint Plan of Reorganization and the Merger Agreement (prior to the ~~First Amendment)~~ amendments thereto) with the Bankruptcy Court. Subsequent to August 20, 1998, the Debtors, Arch, the Committee and the Standby Purchasers engaged in further negotiations, which negotiations resulted in the ~~First Amendment, the Plan, and in~~ first amendment to the Merger Agreement, the Second Amended Joint Plan of Reorganization, and associated amendments to other related documents, including the commitment letters previously executed by the Standby Purchasers, which documents were filed with the Bankruptcy Court in September 1998 (the "September Amendments"). Subsequent to the execution of the September Amendments, the parties engaged in additional negotiations that resulted in the second amendment to the Merger Agreement, the Third Amended Joint Plan of Reorganization and associated amendments to other related documents, including the commitment letters previously executed by the Standby Purchasers.

B. Capitalization and Structure of the Reorganized Debtors

Section 4.2(B) of the Plan provides that Effective as of the Effective Date but immediately prior to the discharge of the Debtors described in Section 6.1 of the Plan, each of the following transactions will occur in the order listed:(i) MobileMedia will contribute to the capital of Communications all Subsidiary Claims that it holds, (ii) Communications will contribute to the capital of each of its direct subsidiaries other than FWS Radio, Inc. any Subsidiary Claim that it holds against each such subsidiary, (iii) Communications will contribute to the capital of FWS Radio, Inc., 50% of any Subsidiary Claim that it holds against FWS Radio, Inc., (iv) Communications will contribute to the capital of MCCA all Subsidiary Claims that it holds against direct and indirect subsidiaries of MCCA (which includes the remaining Subsidiary Claim, if any, against FWS Radio, Inc.), (v) MCCA will contribute to the capital of each of its direct subsidiaries other than MobileComm of the West, Inc. any Subsidiary Claim that it holds against each such subsidiary, (vi) MCCA will contribute to the capital of MobileComm of the West, Inc. 89% of any Subsidiary Claim that it holds against MobileComm of the West, Inc., (vii) MCCA will contribute to the capital of MobileComm of the Northeast, Inc. any remaining Subsidiary Claim that it holds against MobileComm of the West, Inc. and MobileComm of the Northeast, Inc. will, in turn, contribute any such Subsidiary Claim against MobileComm of the West, Inc. to the capital of MobileComm of the West, Inc., (viii) MCCA will contribute to the capital of MobileComm of the Southwest, Inc. any Subsidiary Claim that it holds against FWS Radio, Inc. and MobileComm of the Southwest, Inc. will, in turn, contribute any such Subsidiary Claim against FWS Radio, Inc. to the capital of FWS Radio, Inc.

Section 4.2(B) of the Plan further provides that effective as of the Effective Date but immediately following the discharge of the Debtors described in Section 6.1 of the Plan, each of the following transactions will occur in the order listed: (i) MobileMedia will contribute all of its assets[12] to Communications and thereafter immediately dissolve, at which time the separate corporate existence of MobileMedia will cease; (ii) Communications will merge with and into Merger Subsidiary, and the separate corporate existence of Communications will cease as contemplated by the Merger Agreement; (iii) MCCA will merge with and into a special purpose Delaware corporation formed by Communications and a wholly owned direct subsidiary of Merger Subsidiary as a result of the merger described in clause (ii) of this section ("Delaware Subsidiary Co."); (iv) a number of merger transactions will be effected such that all of the Debtors (other than MobileMedia, Communications and MCCA) will be merged with and into Delaware Subsidiary Co.; and (v) Delaware Subsidiary Co. (as successor to MCCA) will organize License Co. L.L.C. as a wholly owned limited liability company of Delaware Subsidiary Co. (as successor to MCCA) and will transfer the Licenses then held by it to License Co. L.L.C. Notwithstanding the foregoing, Arch and the Reorganized Debtors retain their right to make such changes in the post-Effective Date corporate structure of Arch and the Reorganized Debtors as is determined in the business judgment of Arch and Reorganized Communications.

In addition to the survivor of the merger of Communications and Merger Subsidiary, Arch will have other operating subsidiaries subsequent to the Merger and, after giving effect to the Merger on a pro forma basis, Arch would have long-term debt, total assets and stockholders' equity of $1.3 billion, ~~$1.8~~ **$1.7** billion and ~~$322.3~~ **$142** million, respectively, at ~~June~~ **September** 30, 1998.

C. Composition of Management and Directors of the Reorganized Debtors

Pursuant to Section 4.2(C)(3) of the Plan, the directors and officers of each Debtor will continue to serve in such capacities until the Effective Date. As of the Effective Date, the directors and officers of each Debtor that is not a Reorganized Debtor will be terminated, the directors and officers of Merger Subsidiary immediately prior to the Effective Date will become the directors and officers of Reorganized Communications, and the directors and officers of Delaware Subsidiary Co. immediately prior to the Effective Date will become the directors and officers of Reorganized MCCA. The Debtors will file with the Bankruptcy Court no later than ten (10) Business Days prior to the Voting Deadline a statement setting forth the office, the names and affiliations of, and the compensation proposed to be paid to, the individuals intended to serve as directors and officers of each Reorganized Debtor, as well as of Arch, on and after the Effective Date. Pursuant to the transactions contemplated under the Plan, a designee of each of Huff and Whippoorwill (each as defined below) will be elected to the Arch board of directors on the Effective Date. On and after the Effective Date, each Reorganized Debtor will be governed in accordance with such Reorganized Debtor's Certificate of Incorporation, as amended, in the

[12] To the extent the issues arising in connection with the Locate Entities have not been resolved in the separate bankruptcy proceeding of the Locate Entities, the contributed assets of MobileMedia will include its equity interests in the Locate Entities.

case of Merger Subsidiary, by the Certificate of Merger relating to the Merger.

D. Summary of the Merger Agreement

The following is a brief summary of certain provisions of the Merger Agreement, which is attached hereto in composite form as Exhibit B and is incorporated herein by reference. This summary is qualified in its entirety by reference to the Merger Agreement.

1. The Merger.

The Merger Agreement provides that, following the satisfaction of certain specified conditions, including, without limitation, approval of the Plan by the Bankruptcy Court, Communications will merge with and into Merger Subsidiary, a wholly-owned subsidiary of Arch, with Merger Subsidiary being the surviving entity, which will then be renamed "MobileMedia Communications, Inc." or such other name as Arch will determine prior to the Effective Date.

2. Funding for the Plan and Merger Agreement.

Arch intends to finance the cash necessary to fund the Plan and consummate the Merger through (a) the offering to holders of Allowed Class 6 Claims of the Rights to purchase ~~the Units~~ **Arch Common Shares** (which offering, together with any amounts paid by the Standby Purchasers under the Standby Purchase Commitments (defined below) will yield proceeds of $217 million) and (b)(i) borrowings under its existing credit facility, as amended and (ii) either borrowings under one or more bridge or permanent debt facilities, or proceeds from the offering and sale of debt securities, which borrowings or proceeds are expected to aggregate approximately $350 million.

In connection with the ~~offering~~ **issuance** of the Rights and the ~~Units~~ **offering of the Arch Capital Shares to be issued upon the exercise thereof**, Arch has filed the Registration Statement with the SEC under the Securities Act and will use its best efforts to have the Registration Statement declared effective by the SEC as promptly as practicable. Arch has agreed to cause the Rights to be issued as soon as practicable after the date the Registration Statement becomes effective, but not before approval of this Disclosure Statement by the Bankruptcy Court.[13]

Contemporaneously with the execution and delivery of the Merger Agreement, four groups of holders of Class 6 Claims (i.e., the Standby Purchasers) -- W.R. Huff Asset Management Co., L.L.C., as agent for various discretionary accounts and affiliates ("Huff"), The Northwestern Mutual Life Insurance Company and an affiliate (together, "Northwestern"), Credit Suisse First Boston Corporation **("CSFB")** and Whippoorwill Associates, Inc., as agent for various discretionary accounts ("Whippoorwill") -- entered into binding written commitments to

[13] The Rights are described more fully in Section V.I.3.

become Standby Purchasers and generally, in such capacity, to purchase, (a) their respective allocations as holders of Class 6 Claims of Rights and (b) the Arch Capital Shares ~~and Arch Warrants~~ not purchased by other Class 6 Creditors or their transferees pursuant to the Rights for an aggregate purchase price of up to $217 million. On September 3, 1998, ~~concurrent~~ **concurrently** with the execution of the ~~First Amendment, each of the Standby Purchasers executed an~~ **first amendment to the Merger Agreement, each Standby Purchaser executed an amendment to its written commitment. On December 1, 1998, concurrently with the execution of the second amendment to the Merger Agreement, each Standby Purchaser executed a second** amendment to its written commitment (as so amended, collectively, the "Standby Purchase Commitments"). In consideration of their purchase commitments contained in the Standby Purchase Commitments, the Standby Purchasers will be issued~~, if no Rights Offering Adjustment has occurred, Arch Warrants, and if a Rights Offering Adjustment has occurred,~~ Arch Participation Warrants~~, in each case, to purchase an aggregate number of Arch Common Shares equal to 2.5% of the anticipated outstanding Arch Capital Shares on the Effective Date on a Fully Diluted basis~~ **to purchase 3.68 million Arch Capital Shares**. The Standby Purchase Commitments require Arch to cause one nominee of Huff and one nominee of Whippoorwill to be elected as directors of Arch for as long as Huff and Whippoorwill hold specified percentages of Arch's equity securities. Arch also will enter into a Registration Rights Agreement, substantially in the form attached as Exhibit C to the Merger Agreement, with the Standby Purchasers (the "Standby Purchaser Registration Rights Agreement").

As addressed in Section V.D.1.(c), there are certain circumstances in which the Standby Purchasers (including certain other persons and affiliates) will receive, proportionate to their obligations to purchase ~~Units~~ **Arch Common Shares** and in lieu of Arch Common Shares, Arch Class B Common Shares.

The obligations of each Standby Purchaser under its Standby Purchase Commitment are subject to a number of conditions, including without limitation: (i) that the Confirmation Order, in a form reasonably satisfactory to the Standby Purchaser, shall have been entered and shall have become a Final Order (as defined in the Merger Agreement)[14], provided that one Standby Purchaser may not assert this condition if ~~all~~ **the** other **two** Standby Purchasers **(other than CSFB)**, acting in good faith, have waived the requirement of finality; (ii) the satisfaction or, with the written consent of the Standby Purchaser, waiver of all conditions precedent to the obligations of each of the parties to the Merger Agreement and all conditions precedent to the effectiveness of the Plan (provided, that certain conditions may be waived without the written consent of the Standby Purchaser); (iii) the Shelf Registration Statement covering the resale of Arch Common Shares, Arch Class B Common Shares and Arch **Participation** Warrants by the Standby Purchasers shall be effective; (iv) Arch shall have executed the Standby Purchaser Registration Rights Agreement; (v) any and all amendments or

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[14] CSFB has agreed to waive the requirement that the Confirmation Order has become a Final Order, provided that the other Standby Purchasers do not waive the requirement that the Confirmation Order be a Final order, except in the context of a scheduled closing.

modifications to the Merger Agreement or any consents or waivers delivered by Arch or MobileMedia to the other under the Merger Agreement (with certain exceptions), shall have been satisfactory to the Standby Purchaser; (vi) the representations and warranties made in the Merger Agreement by Arch and MobileMedia shall have been accurate; (vii) Arch shall have obtained the necessary financing to consummate the Merger (other than as a result of the Standby Purchaser not fulfilling its commitment) on certain minimum terms; (viii) each other Standby Purchaser shall have fulfilled its commitment; (ix) the Rights, Arch Common Shares, Arch Class B Common Shares and the Arch **Participation** Warrants shall be issued and distributed pursuant to an exemption from registration under the Securities Act pursuant to section 1145 of the Code or shall have been registered under the Securities Act, such Registration Statement shall have been declared effective and no stop order shall be in effect; (x) an FCC order approving the transfer of the Debtors' licenses and terminating the pending proceedings shall have become a Final Order (as defined in the Merger Agreement)[15], provided that ~~a~~ **one** Standby Purchaser may not assert this condition if ~~each~~ **the two** other Standby Purchaser **(other than CSFB)**, acting in good faith, shall have waived this provision or if the reason that the FCC order shall not have become a Final Order is a result of action taken by any present or former officer of MobileMedia considered or determined by the FCC to be an alleged or an actual wrongdoer for purposes of the FCC proceeding; and (xi) any applicable waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act") shall have expired or been terminated early. The obligations of each Standby Purchaser **other than CSFB** are also subject to the condition that there shall not have occurred between June 30, 1998 and the Confirmation Date (and between June 30, 1998 and the Effective Date if the Effective Date is more than 90 days after the Confirmation Date), (i) any event or events (other than those that affecting generally the economy or the industry in which Arch and the Debtors conduct their respective businesses) that has had or would have a material adverse effect on the business, assets (including licenses, franchises and other intangible assets), financial condition, operating income or prospects of the Reorganized Debtors and Arch (the "Combined Company"), (ii) any event or events involving a regulatory or statutory change and effecting generally the industry in which Arch and MobileMedia conduct their respective businesses which would materially and adversely affect the ability of the Combined Company to operate its business, or (iii) an event or events affecting generally the industry in which Arch and MobileMedia conduct their respective businesses ~~but~~ **that** would ~~not~~ materially and adversely affect the ability of Combined Company to operate its business (except that ~~a~~ **one** Standby Purchaser may not assert such condition if ~~each of~~ the other **two** Standby Purchasers **(other than CSFB)** shall have waived this condition).

In addition, each Standby Purchase Commitment will terminate ~~(i) on March 31, 1999, unless the Confirmation Order shall have been entered by the Bankruptcy Court on or before such date, (ii)~~ on June 30, 1999, unless the effectiveness of the Plan occurs on or before such date, or~~(iii)~~**,** if not theretofore terminated ~~pursuant to one of the foregoing clauses~~, on the

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[15] CSFB has agreed to waive the requirement that the FCC order has become a Final Order, provided that the other Standby Purchasers do not waive the requirement that the FCC order be a Final order, except in the context of a scheduled closing.

date on which the Merger Agreement is terminated in accordance with the terms thereof.

Each of the Standby Purchasers has also agreed not to provide financing for any alternative plan of reorganization for the Debtors.

In addition to the Rights being offered to the holders of Allowed Class 6 claims, ~~if a Rights Offering Adjustment has occurred,~~ Arch's existing shareholders will be entitled to exercise rights ("Arch Stockholder Rights") to purchase, in the aggregate, ~~between 2.86 million and 34.89~~ **44.89** million Arch Capital Shares. If the Arch Stockholder Rights (offered pursuant to the "Arch Stockholder Rights Offering") are fully exercised, the existing Arch Shareholders would own ~~32.175%~~ **up to 35.8%** of the Arch Capital Shares~~, on a Fully Diluted Basis~~ **outstanding on the Effective Date**. At the election of each Standby Purchaser **(with the exception of CSFB which has agreed to certain mandatory reductions)**, an allocable portion of the aggregate proceeds of the Arch Stockholder Rights Offering may be applied to reduce the commitment of the electing Standby Purchaser. In connection with the Arch Stockholder Rights Offering, Arch has filed a Proxy Statement/Prospectus with the SEC (the "Proxy Statement") and will use its best efforts to have the Proxy Statement declared effective by the SEC as promptly as practicable.[16] The Arch Stockholder Rights Offering will commence and terminate concurrently with the Rights Offering. The Arch Stockholder Rights are described in Section V.I.4. In the event any of the Arch Stockholder Rights are not exercised, the holders thereof will automatically receive a warrant for each Arch Stockholder Right not exercised (an "Arch Participation Warrant") for the purchase of one Arch Common Share. The Arch Participation Warrants are described in Section V.I.6.

3. Effective Date.

The Merger will be consummated (which consummation will be on the Effective Date of the Plan) if and when each of the conditions described in Section IV.D.10 below is satisfied or (where permissible) waived, and the parties file the Certificate of Merger with the Secretary of State of the State of Delaware. The Merger will become effective upon the filing of the Certificate of Merger with such Secretary of State or at such later time as may be provided for in the Certificate of Merger.

4. Representations and Warranties.

In the Merger Agreement, each of MobileMedia Communications and Arch has made certain representations and warranties regarding, among other things: (i) their respective organization, qualification, corporate power and authority to enter into and perform their respective obligations under the Merger Agreement; (ii) capitalization; (iii) the compliance of the transactions contemplated by the Merger Agreement with their respective certificates of

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[16] The Proxy Statement will also seek the approval of Arch's shareholders of two proposals necessary to consummate the Merger and of the reverse stock split discussed in Section I.E.

incorporation and by-laws, certain contracts and applicable laws; (iv) subsidiaries; (v) the accuracy of their respective financial statements; (vi) the absence of certain specified types of changes in the business, assets (including licenses, franchises and other intangible assets), financial condition, operating income and prospects of each party and their respective subsidiaries, taken as a whole; (vii) the absence of undisclosed liabilities; (viii) taxes; (ix) tangible assets; (x) owned real property; (xi) intellectual property; (xii) real property leases; (xiii) certain contracts that are material to the respective parties; (xiv) the possession of licenses and authorizations; (xv) the absence of litigation; (xvi) certain employment contracts and related matters; (xvii) employee benefit plans; (xviii) certain environmental matters; (xix) compliance with applicable laws; (xx) certain information with respect to the parties' respective subscribers and suppliers; (xxi) capital expenditures; (xxii) brokers' fees; (xxiii) the opinion of Arch's financial advisor regarding the fairness of the Merger to Arch stockholders, and (xxiv) the accuracy of certain information provided by each of the parties in connection with the various documents to be filed with the applicable regulatory authorities in connection with the Merger Agreement and the transactions contemplated thereby.

The representations and warranties in the Merger Agreement will not survive the closing under the Merger Agreement.

5. Certain Covenants and Agreements.

Except as otherwise contemplated by the Merger Agreement and Plan and, in the case of MobileMedia and Communications, except as otherwise required by "Bankruptcy-Related Requirements" as such term is defined in the Merger Agreement, Arch, MobileMedia, Communications and the Merger Subsidiary have agreed, among other things (a) to use their respective best efforts to consummate the Merger, (b) to work together to secure all necessary approvals of regulatory authorities to the Merger, (c) to maintain their respective regulatory licenses and authorizations and (d) to conduct their businesses in the ordinary course of business.

MobileMedia and Communications agreed to pay the net proceeds from the Tower Transaction pro rata to the holders of the Allowed Class 4 Claims, which payment was made on September 3, 1998, upon the closing of the Tower Transaction. MobileMedia and Communications have further agreed to comply with certain operating restrictions during the period from the date of the execution of the Merger Agreement until the earlier to occur of the Effective Date or earlier termination of the Merger Agreement, except as required by law or consented to by Arch. Among other operating restrictions, MobileMedia and Communications have agreed not to (i) except for assets not in excess of $2,500,000, sell, lease, mortgage, pledge, encumber or dispose of any of their assets or acquire or dispose of any assets, other than in the ordinary course of business; (ii) except for permitted borrowings under the DIP Loan Agreement in an aggregate amount as computed under Section 4.5(a)(ii) of the Merger Agreement (which generally restricts borrowings in excess of amounts used for construction of the Debtors' narrowband PCS network plus, at any time before December 31, 1998, $20 million, and, at any time after January 1, 1999 through June 30, 1999, $30 million), create, incur or assume any indebtedness for borrowed money not currently outstanding (including obligations in respect of capital leases); assume, guarantee, endorse or otherwise become liable or responsible (whether directly, contingently or otherwise) for the obligations of any other person; or make any loans, advances or capital contributions to, or investments in, any other person; (iii) except for changes to their payroll program as previously disclosed to Arch, enter into, adopt or amend any employee benefit plan or severance agreements or arrangements, or (except for normal adjustments in the ordinary course of business) increase in any material respect the compensation or fringe benefits of, or modify the employment terms of their directors, officers or employees generally or pay any benefit not required by the terms of any existing employee benefit plan; (iv) change in any material respect their accounting methods, principles or practices, except insofar as may be required by a generally applicable change in GAAP; (v) pay any pre-petition liability other than liabilities in connection with the assumption of pre-petition contracts and with respect to wages, taxes, customer refunds and other related expenses that the Debtors are authorized to pay by the Bankruptcy Court and adequate protection payments and the net cash proceeds of the Tower Sale to the Pre-Petition Lenders; (vi) amend their certificates of incorporation, by-laws or other comparable organizational documents; (vii) sell, assign, transfer or license any material licenses, authorizations or intellectual property other than in the ordinary course of business; (viii) enter into, materially amend, terminate, take or omit to take any action that would constitute a material violation of or default under, or waive any material rights under, certain licenses, contracts or agreements (except, with the consent of Arch, in connection with entering into a transaction to replace the Tower Transaction); (ix) make or commit to make any capital expenditure not set forth in the capital expense budget attached to the Merger Agreement; (x) (A) declare, set aside or pay any dividends on, or make any other distributions (whether in cash, securities or other property) in respect of, any of their outstanding capital stock (other than, with respect to a subsidiary of MobileMedia, to its corporate parent), (B) split, combine or reclassify any of their outstanding capital stock or issue or authorize the issuance of any other securities in respect of, in lieu of or in substitution for shares of their outstanding capital stock, or (C) purchase, redeem or otherwise acquire any shares of outstanding capital stock or any rights, warrants or options to acquire any such shares; (xi) issue, sell, grant or pledge any shares of their capital stock, any other voting securities or any securities convertible into or exchangeable for, or any rights, warrants or options to acquire, any such shares, voting securities or convertible or exchangeable securities, other than upon the exercise of options, or upon the conversion or exchange of securities, outstanding on the date of the Merger Agreement; (xii) take any action or fail to take any action permitted by the Merger Agreement with the knowledge that such action or failure to take action would result in any of the representations and warranties of Communications set forth in the Merger Agreement becoming untrue in any material respect; (xiii) make any material tax election or settle or compromise any material tax liability or any pending or threatened suit or action other than consistent with the terms of the Plan or practice since the Petition Date; (xiv) establish, or transfer any assets to, a trust for purposes of funding any employee benefit plan, including, without limitation, a so-called "rabbi trust," except as required by applicable law; or (xv) agree in writing or otherwise to take any of the foregoing actions.

Arch has agreed to similar categories of covenants, which are contained in the

Merger Agreement.

6. No Solicitation by the Debtors.

The Merger Agreement provides that the Debtors and each of their respective directors, officers, employees, financial advisors, representatives or agents may not directly or indirectly, solicit, initiate, engage or participate in or encourage discussions or negotiations with any person or entity (other than Arch) concerning any merger, consolidation, sale of material assets, tender offer for, recapitalization of or accumulation or acquisition of securities issued by any Debtor, proxy solicitation or other business combination involving any Debtor (collectively, "Debtor Acquisition Proposals"), or provide any non-public information concerning the business, properties or assets of any Debtor to any person or entity (other than to Arch and the Debtors' creditors in accordance with existing confidentiality arrangements). The Merger Agreement further obligates the Debtors immediately to notify Arch of any inquiries in connection with any Debtor Acquisition Proposals.

Notwithstanding the foregoing, if a third party other than Arch delivers to the Debtors an unsolicited bona fide acquisition or business combination proposal superior to Arch's for which proposal any necessary financing is committed or reasonably capable of being obtained and which is likely to be consummated, the Debtors may, as required by bankruptcy law or the fiduciary duties of the Board of Directors of MobileMedia and Communications, participate in discussions or negotiations with such third party. The Debtors have agreed, however, not to terminate the Merger Agreement until at least 48 hours after Arch's receipt of a copy of the third party's superior proposal.

Arch is subject to similar restrictions, which are contained in the Merger Agreement.

7. FCC Approval.

As discussed in Sections II.A.8 and IV.F.2, the transfer of licenses contemplated by the Merger is subject to the approval of the FCC. Arch and the Debtors agreed jointly to prepare and file applications (the "FCC Applications") requesting the FCC's consent to the consummation of the Merger (i) to the transfer of the control of the Debtors' FCC authorizations to Arch and to the transfer of control of Arch's FCC authorizations from Arch's current shareholders to Arch's shareholders immediately following the Merger and (ii) to the termination of the hearing in WT Docket NO. 97-115, In the Matter of MobileMedia Corporation, et al. (the "Hearing") without any further findings adverse to the Debtors or to the Debtors' authorizations or otherwise materially affecting Arch's or the Reorganized Debtors' ability to own or operate the properties, assets and business of the Debtors following the Merger. ~~The~~ **As noted in Section II.A.7.(a), the** FCC Applications were filed on September 2, 1998. Arch and the Debtors further have agreed to cooperate in taking all steps necessary to expedite the preparation, filing and prosecution of the FCC Applications and that, should any person or entity challenge the grant of any FCC Application before the FCC, they will take such reasonable actions as are necessary to oppose such petition or challenge before the FCC or defend such action and the order of the FCC before the judiciary diligently and in good faith. The Debtors have also agreed to allow Arch to participate in any meetings or hearings relating to the FCC Applications and a right to review in advance any correspondence, agreements, or pleadings that may be submitted by the Debtors to the FCC or any other party to the Hearing with regard to the FCC Applications.

8. Additional Agreements.

The Merger Agreement provides that each party to the agreement will (a) afford the other party and its representatives access to all of its respective facilities, properties, books, contracts, commitments and records and make available copies of all reports and other documents filed by such party with certain Federal or state governmental or regulatory authorities, (b) cooperate in the preparation and filing of the Registration Statement filed with the SEC, and to take any other actions required to be taken under applicable state blue sky or securities laws in connection with the Rights Offering, (c) take all actions required to file with the Federal Trade Commission and the United States Department of Justice the required notifications under the HSR Act with respect to the transactions contemplated by the Merger Agreement and to take any other actions to cause the waiting periods under the HSR Act to terminate or expire at the earliest possible date, (d) cooperate in the preparation and filing of all necessary documents, applications, notices, petitions and filings and use all reasonable efforts to obtain all necessary permits, consents, approvals and authorizations of all governmental or regulatory authorities and all other third parties, necessary or advisable to consummate the transactions contemplated by the Merger Agreement, and (e) periodically provide updated financial information to the other.

In addition, each of the Debtors and Arch has agreed to notify the other promptly of any event or development that would (a) render any statement, representation or warranty in the Merger Agreement inaccurate or incomplete in any respect, or (b) constitute or result in a breach or failure to comply with any agreement or covenant in the Merger Agreement.

9. Employees and Employee Benefit Plans.

After the Merger, Arch and Reorganized Communications will control the hiring, retention and firing of the employees of Reorganized Communications. Subject to the requirements of all applicable laws and transition periods for certain plans, all Reorganized Communications employees will be transferred to Arch's employee benefit plans. Arch has agreed to honor all vacation accrued by the Debtors' employees, to honor the Debtors' 1998 Employee Incentive Program previously approved by the Bankruptcy Court and to give the Debtors' employees "credit" for their years of service with the Debtors in connection with Arch's employee benefit plans, to the extent permitted by applicable law.